
Chichester District Council Community Infrastructure Levy (CIL) Examination

Response to Council's Post Hearing Revised
Appraisals

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1. Introduction

- 1.1. Savills on behalf of a Consortium comprising Bloor Homes, Linden Homes, Miller Homes and Seaward Properties (“The Consortium”) submits this representation in response to the publication by Chichester District Council (CDC) of the post hearing revised viability appraisals and documents. The Consortium welcomes the decision of the Examiner to require a further period of consultation before concluding the Examination.
- 1.2. The Council’s documents have been carefully reviewed and the Consortium welcomes some of the revised assumptions. The Consortium was provided a limited period to input prior to the submission of revised appraisals and documents (see the submission document at Appendix B). It is not understood whether the feedback provided was reflected in the submitted appraisals and documents.
- 1.3. Overall, there remains a compelling justification as to why it is appropriate for the Council to set a maximum differential rate of **£60 per sq m** for residential development West of Chichester and Tangmere; both of which are important for the delivery of the Local Plan.

2. Ensuring the delivery of the emerging development plan

- 2.1. CDC currently and historically struggles to maintain a five year supply of housing as required by the National Planning Policy Framework (NPPF). It is common ground between all parties that both West of Chichester and Tangmere Strategic Development Locations (SLDs) are crucial to the delivery of the Local Plan. The delivery of these sites will be long term; indeed, it is recognised by CDC that the final delivery of West of Chichester will be beyond the end of the Local Plan period.
- 2.2. The Consortium is concerned that the Council, in proposing the residential rates, has failed to give sufficient weight to the number of unknown costs relating to the two strategic development locations. In particular concerns are raised with regard to the following inputs adopted by the Council's appraisals:
- Section 106 & A27 Mitigation;
 - Infrastructure / Enabling Costs
 - Build costs
 - Sales Values
- 2.3. The Consortium has previously discussed each of these costs in detail through the various representations to the CIL preparation process and at the examination hearing. It is not intended to reiterate the messages again in this statement but it will set out the Consortium's response to the published post hearing documents.
- 2.4. The crucial factor at play is whether in their viability appraisals and documents, the Council's consultant Peter Brett Associates (PBA) has factored adequate assumptions. Furthermore, in setting the CIL Rate for residential development, whether CDC has incorporated a sufficient 'buffer' between what might theoretically be viable against the actual proposed CIL rate. Longer term, more complex strategic development is associated with greater risks to the developer, landowner and relevant Authorities, notably given the number of economic cycles the sites may be delivered over.

2.5. In addition, as reiterated throughout the process, the ability to define 'site specific' projects, for the purposes of the Relevant Infrastructure List (Regulation 123 List) is greatly enhanced for strategic development, as demonstrated nationwide. A Section 106 led, rather than CIL led approach, therefore provides the necessary flexibility to ensure delivery. The available viability evidence demonstrates the implications of the higher rates of Section 106 for the strategic sites.

3. Section 106 & A27 Mitigation

- 3.1. The Consortium welcome the additional Section 106 schedules for each SDL and A27 Corridor improvements cost per unit assumptions in the updated Appraisal. However, we note that the Examiner asked for updated appraisals to be provided, which include “*full and costed list of infrastructure and known abnormalities for each site*”. The Consortium is concerned that these assumptions have been underestimated and wish to highlight the following points in greater detail.
- 3.2. A separate Schedule (Appendix A) outlines the Consortium’s updated position on likely Section 106 or measures to make development acceptable in planning terms (obligations or contributions) arising from the Strategic Sites. This stands at an average of **£16,031 per dwelling**.

Section 106

West of Chichester

- 3.3. No provision has been made for Travel Plans, which remain outside of CIL. In addition a number of items (i.e. playing fields, sports pitches and allotments) have not been costed and are instead labelled “TBC” (Table 2.1, Further evidence requested from Council, PBA June 2015). The Consortium is therefore of the view that the £11,915 per unit is too low given the omitted items / uncertainties.

West of Tangmere

- 3.4. The primary school allowance is too low (£5.4m) and is significantly lower than the worst case scenario set out in the Consortium’s schedule. It is probable that the requirement shall be over 1FE. In addition, no allowance has been made for Travel Plans and a number of obligations have not been costed in the table.

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- 3.5. The Consortium considers that the assumptions set out in the revised work by the Council are very optimistic and that additional costs may still be sought by the Council on various contributions. We are therefore of the opinion that higher figures should have been modelled in the appraisal that take into account a buffer to capture the unknown and uncertain costs associated with the delivery of the site. As this has not been undertaken, then consideration must be given to whether the overall viability buffer is sufficient, so as not to prejudice the delivery of the sites.
- 3.6. The Examiner may be mindful that CDC can amend its Regulation 123 List at anytime in the future. Nationwide, there are examples of amendments to the Regulation 123 List being made soon after, or even prior to, the implementation of the Charging Schedule; for example in Wiltshire County and Daventry District.

A27 Improvements

- 3.7. In PBA's Respondents Reconciliation Document it is acknowledged that the methodology for dividing the A27 Improvements cost on the basis of impact generation between developments has yet to be determined. For the purpose of the appraisals PBA has divided the sum equally between the anticipated supply of 3,100 homes on strategic sites, at a cost of £3,600 per dwelling.
- 3.8. Whilst applying a cost to the A27 Improvements is welcomed, the likely cost for the West of Chichester and Tangmere SDL's are likely to be significantly more given their scale. This is a prime example of the uncertainties for developers with regards to Strategic Sites and why a number of Councils have taken the approach of £ zero rating (or £ low rate) or adopting a greater viability buffer when setting rates for comparable sites.

Council's position

- 3.9. The Council considers that the total allowance for Section 106 and 278 costs for West of Chichester including the A27 upgrade is £15,516 per dwelling; and for Tangmere is £11,130 per dwelling. The Consortium considers that the following Section 106 and 278 cost ranges in the table below are more appropriate and realistic for the purpose of the appraisals.

Table 1 – Anticipated Section 106 / 278 Costs Low and High Analysis

Site	Policy	Indicative Low Cost “scheme mitigation” (£ per dwelling)	Indicative High Cost “scheme mitigation” (£ per dwelling)
Land west of Chichester	15	£15,685	£17,272
Land west of Tangmere	18	£15,060	£16,110

Source: Consortium / Savills

3.10. Further details are contained in **Appendix A**.

4. Other Costs

Infrastructure / Enabling Costs

- 4.1. The Consortium welcomes that the updated appraisal includes an allowance of £600,000 per hectare (ha) for enabling costs. Assuming that this is on a net basis, with an average density of 35 dph, then this equates to circa £17,000 per unit. This is a slight improvement on the previous assumption modelled; however, is still at the lower end of the Harman range (£17,000 - £23,000 per unit), particularly bearing in mind the significant infrastructure items required for the two developments.
- 4.2. For instance, clarity over how the allowance is made for the Sewage Treatment Works is required. In the case of the West of Chichester, if a requisition connection to Tangmere is pursued instead of the on-site treatment works then the budget estimate of the capital works would be in the region of £5.25m. Approximately 50% of this cost would be wholly attributable to the Linden / Miller promotion and the other 50% could potentially be split with the other strategic site promoters if they were amenable. An exceptional cost in the region of £3m is therefore valid for both on-site and off-site sewerage options for budget and CIL calculation purposes. The Consortium notes that this cost has been included as a Section 106 item in CDC's evidence, as replicated in Appendix A of this Statement.
- 4.3. For the Tangmere site, a cost of the wastewater treatment has yet to be determined and thus the £17,000 per unit assumptions appear too low. No allowance has been made in the Section 106 assumptions for wastewater treatment, which is an abnormal cost. It is therefore important that this issue is recognised.
- 4.4. In addition, in respect of electricity, a new Primary Substation is required for West of Chichester site, at a cost of £2.4m. This is not recognised in the Section 106 evidence.
- 4.5. These various infrastructure costs highlight the importance of an allowance of named infrastructure items alongside wider abnormal costs. As highlighted above, reliance on these current estimated figures places greater importance on the use of a higher buffer to ensure that the proposed CIL rates are set at a viable level.

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- 4.6. The Examiner may also wish to consider the level of Abnormals costs associated with other Strategic Sites tested elsewhere in the UK. In Winchester District for example, the three larger allocated Strategic Sites attract a £ zero CIL rate, this was partly on the basis of Abnormals costs being modelled at £17,000 per unit. In Peterborough, the Abnormals costs modelled were in the region of £18,000 per unit, resulting in lower CIL rates being adopted CIL.

Build Costs

- 4.7. The Consortium has reviewed current BICS build costs and note that these are different from those modelled in the updated appraisals. It is noted that the figures used are taken from the latest hard copy edition, but the Consortium does not agree with the Council's assertion that the use of the online BICS figures is inappropriate. Whilst the figures are updated over time, they are taken from recent tenders and are based on current prices. The issue of increasing build costs, notably over sales values, needs to be recognised, as this is a significant concern to the development industry.

Sales Values

- 4.8. The Consortium acknowledges that there has been an increase in sales values in recent months and thus note the basis for the inclusion of a 5% increase. The Consortium is also pleased to note that an adjustment for volume has been made from the generic figure of £3,400 per square metre. However, we would expect to see a differential in values between Tangmere and other areas, as this area is notably poorer value than other Strategic Sites. This is clearly demonstrated by the evidence, including the sales values map published by PBA.
- 4.9. PBA's assertion that values would improve in Tangmere due to the new facilities the Strategic Site would provide is not accepted. This is speculation and does not, in our opinion, qualify as appropriate evidence for the purposes of informing a CIL rate. In marketing new properties, consideration is provided to setting/amenity etc. as well as the age of the property relative to the existing market. Valuers would however take note of existing marketing context, and the wider comparables in Tangmere. The development is not a standalone settlement, but an urban extension. Mortgage lenders would not provide finance for properties based on unrealistic aspirations over value.

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- 4.10. The Consortium would therefore recommend that a lower sales value is adopted for this typology in the region of £3,000 psm - £3,100 per square metre (reflective of the uplift in values). This sits above the average sales rates in Tangmere, but would be reflective of a modest allowance of new homes sales values increases /scope for “place” creation. It must be noted that the developers at Tangmere shall be competing with others, notably West of Chichester, and thus an allowance should be made for market / location differentiation.

Benchmark Land Values (BLV)

- 4.11. The Consortium has outlined extensively in the representations and at the hearing the importance of the net: gross land areas in the viability calculations. This is particularly important as PBA has, in Savills opinion, adopted a relatively low BLV of £700,000 per net developable hectare, which based on a 50% developable area is the equivalent of £350,000 per gross hectare. This is low in the Chichester context and justifies the need to factor an appropriate buffer to the results of the viability appraisals.
- 4.12. Furthermore, the Consortium must stress that the assumed BLV must reflect the non-revenue generating land uses, prevalent on circa 50% of the Strategic Sites. This is likely to be free serviced land for uses such as the primary school, open spaces, local centres and employment land. This is because to make the development acceptable in planning terms, a gross land area is required, and thus land value diluted to incorporate all of the required land. The delivery of the site and the various elements are intrinsically linked, so in effect there would be no downward adjustment to the value of land for the less valuable parcels. Essentially, value is equalised. These factors further demonstrate the need for a sufficient buffer to be applied notably as the overall gross benchmark land value used in the Appraisals is low.

5. Conclusion

- 5.1. As discussed above, despite the Council amending their assumptions in relation to enabling and infrastructure costs, the Consortium remains concerned that the proposed rate of CIL will adversely impact the delivery of the West of Chichester and Tangmere Strategic Sites. This is of particular concern, as these two sites represent a significant number of units coming forward over the plan period.
- 5.2. We therefore reiterate our concern that CDC's proposed CIL rates threaten the delivery of these sites, which in turn puts the whole delivery of the plan at risk. We subsequently do not believe that the proposed Charging Schedule accords with NPPF paragraphs 173-177 and would ask that the proposed CIL rates for the strategic sites are modified to no more than **£60 per sq metre**.

Appendix A: Strategic Sites Draft Infrastructure Schedules - Section 106

Appendix A: Strategic Sites updated Infrastructure Schedules ('Scheme Mitigation')



Please note - working draft assumptions - in advance of detailed pre application discussions / masterplanning. Consortium reserves the right to update these assumptions as liaison with the sites / CIL progresses.

Costs are indicative estimates based on previous Savills experience, provided for the purposes of CIL, and should not be relied upon for any other purpose. Costs do not factor land. Costs have also been taken from the Councils IPD Oct 2014.

Miller, Linden - Land West of Chichester (1,600 units total for the allocation - Policy 15)

Notes	Cost Low	High	Delivery CIL ?	Section 106 ?
Community Facilities				
NHS Medical Facility	£0	£0	Site specific	No
Complementary Health Services (IDP figure)	£0	£0	Site specific	No
Neighbourhood Centre - Comm Hub	£500,000	£1,000,000	Site specific	Y
Utilities				
Wastewater	£3,000,000	£3,000,000	Site specific	Y
Schools				
1/2 FE Primary School (IDP figure)	£8,800,000	£9,500,000	Site specific	Y
Highways				
Bus subsidy	£500,000	£600,000	Mitigation	Y
A27	£5,760,000	£5,760,000	Mitigation	Y
Off-site highways	£1,790,000	£2,000,000	Mitigation	Y
Travel Plans	£250,000	£500,000	Mitigation	Y
Open Space				
Country Park Provision	£3,000,000	£3,500,000	Site specific	Y
Play Areas	£320,000	£400,000	Site specific	Y
Allotments	£150,000	£250,000	Site specific	Y
Playing Fields / Pitches	£750,000	£850,000	Site specific	Y
Other				
Chichester/Pagham Harbour SPA mitigation (IDP Figure)	£275,200	£275,200	Mitigation	Y
Affordable Housing				
		30%		
Per dwelling based on all allocation	£25,095,200	£27,635,200		
	£15,665	£17,272		

Chichester District Council (CDC) costs as outlined in Post Hearing Documents

Off Site Highways	Cost
Cathedral way	£170,000
St Pauls	£540,000
Cycle	£140,000
Parklands cycle	£440,000
Transport Links	£500,000
Total	£1,790,000

A27	Cost
Southern Access Road	£3,600

n/k

Bloor / Seaward - Land West of Tangmere (1,000 units total for the allocation - Policy 18)

Notes	Cost Low	High	Delivery CIL ?	Section 106 ?
Community Facilities				
Community facilities / village hall	£0	£0	Probable	No
Healthcare facility	£0	£0	Site specific	No
Schools				
1 FE primary School (IDP figure)	£8,800,000	£9,500,000	Site specific	Y
Highways				
Bus subsidy	£500,000	£500,000	Mitigation	Y
A27	£3,600,000	£3,600,000	Mitigation	Y
Off-site highways (Public transport link & cycle)	£1,130,000	£1,130,000	Mitigation	Y
Travel Plans	£200,000	£300,000	Mitigation	Y
Open Space				
Extension to existing sports facility*	£0	£0	Site specific	Y
Play Areas	£300,000	£400,000	Site specific	Y
Allotments	£100,000	£150,000	Site specific	Y
Playing Fields / Pitches	£450,000	£530,000	Site specific	Y
Business				
Chichester Business Park (estimate)*	£0	£0	Mitigation	Y
Affordable Housing				
		30%		
Per dwelling based on all allocation	£15,060,000	£16,110,000		
	£15,060	£16,110		

Council costs as outlined in Examination hearing.

A27	Cost
Southern Access Road	£3,600

Council Transport Breakdown	Cost
Cycle	£600,000
Public Transport Links	£300,000
Total	£1,300,000

* Not a requirement. Likely to be CIL funded if required.

AVERAGE FOR BOTH STRATEGIC SITES £16,031.63 Per dwelling

Appendix B: Informal Comments Sent to Chichester District Council – 17th July 2015

Savills

Response to PBA / Chichester District Council – RE: CIL 17th July 2015



1. Savills on behalf of a Consortium comprising Bloor Homes, Linden Homes, Miller Homes and Seaward Properties make the following initial comments to Chichester District Council (CDC) and their consultants Peter Brett Associates (PBA). These are provided as a relevant stakeholder input to the process, ahead of the intended four week public consultation. This follows information/ further viability appraisals shared by PBA on 9th July. A further representation may be made during this consultation, and Savills requests full details of the appraisals.

Section 106 & A27 Mitigation

2. We welcome the additional Section 106 schedules and A27 Corridor Improvements cost per unit assumptions in the updated appraisals. This information should greatly assist the onward negotiation on Section 106, and provides the Consortium with greater clarity.
3. However, we note that the Examiner asked for updated appraisals to be provided which include – *“full and costed list of infrastructure and known abnormalities for each site”*. We remain concerned that these assumptions risk being an underestimate and would highlight the following points:
 - **West of Chichester** - No provision has been made for Travel Plans, which remain outside of CIL. In addition a number of items (i.e. playing fields, sports pitches) have not been costed ('TBC'). We are therefore of the view that the £11,915 per unit is on the low side of the possible range given the omitted items.
 - **West of Tangmere** – The Primary School allowance is at the low end of the possible range (£5.4m) and is significantly lower than the worst case scenario. It is probable that the requirement shall be over 1FE. Again no allowance has been made for Travel Plans and a number of obligations have not been costed in the table.
 - **S278 (off-site highways)** - We would highlight that there is still an absence of any allowance for S278 works.
4. We are therefore of the view that these assumptions are 'best case' and that additional costs may still be sought by the Council. This is clearly a decision for the Council, which could be clarified via a further statement or any amendments to the Regulation 123 List. We would therefore advocate higher figures being modelled in the appraisal that take into account the unknown costs. If this was not undertaken, then clearly the Examiner would need to take a view on whether the viability buffer is sufficient so as not to prejudice the delivery of the sites.

Infrastructure/Enabling Costs

5. We note that the updated appraisals include an allowance of £600,000 per hectare (ha). We are assuming that this is on a net basis and on a density of 35 dph equates to c. £17,000 per unit. This is an improvement on the previous assumption modelled, however, is still at the lower end of the Harman range (£17,000 - £23,000 per unit).
6. We can confirm that allowance should be made for Sewage Treatment Works. For West of Chichester, should our clients look at a requisition connection to Tangmere instead of the on site treatment works, our budget estimate of the capital works is actually £5.25m, although using Southern Water term contractors, the cost could come out slightly higher. Approximately 50% of this cost would be wholly attributable to White House Farm (the Linden/ Miller promotion) and the other 50% could potentially be split with the other strategic site promoters if they were amenable. We would therefore suggest that an exceptional cost in the region of £3m is valid for both on site and off-site sewerage options for budget and CIL calculation purposes.

7. In addition, in respect of electricity, a new Primary Substation is required for West of Chichester, at a cost of £2.3m.
8. These various infrastructure costs highlight the importance of an allowance of named infrastructure items alongside an allowance for wider abnormals costs. As highlighted above, reliance on this figure places greater importance on the use of a higher buffer to ensure that the proposed CIL rates are set at a viable level.

Build Costs

9. We have reviewed current BCIS build costs and note that these are different from those modelled in the updated appraisals. We note that the figures used are taken from the latest hard copy edition, but do not agree with PBA's assertion that use of the online BCIS figures are not appropriate. Whilst the figures are updated over time, they are taken from recent tenders and are based on current prices.
10. We have therefore looked at BCIS online figures rebased to West Sussex (accessed on 15th July) to give current build costs for the area:

Development Type	PBA Assumption (£psm)	BCIS Median Figure (Extracted 15 th July) (£psm)	Plus 10% uplift (£psm)
2 Storey Estate Style Housing	£929	£1,050	£1,155
Flats (apartments) 3-5 Storey	£1,079	£1,260	£1,386
Estate Housing Generally	n/a	£1,069	£1,176

Source: BCIS rebased to West Sussex

11. Similarly, we would question the use of the BCIS figure for 2 storey estate style housing over the Estate Housing – Generally figure. Given the varied nature of house types typically brought forward on sites on this scale, we would advocate using the median figure for Estate Housing Generally.
12. We would therefore ask that the appraisals are re-run adopting these BCIS figures.

Sales Values

13. We acknowledge that there has been an increase in sales values in recent months and thus note the basis for the inclusion of a 5% increase. We are also pleased to note that an adjustment for volume has been made from the generic figure of £3,400 psm. However, we would expect to see a differential in values between Tangmere and other areas, as this area is notable poorer value than other SDLs. This is clearly demonstrated by the evidence, including the values map published by PBA.
14. We would therefore recommend that a lower sales value is adopted for this typology in the region of **£3,000 psm - £3,100 psm** (reflective of the uplift in values). This sits above the average sales rates in Tangmere, but would be reflective of a modest allowance of new homes sales values increases/ scope for 'place' creation. It must be noted that the developers at Tangmere shall be competing with others, notably West of Chichester, and thus an allowance should be made for market/ location differentiation.

Appraisals

15. We note that the detailed appraisal summaries for the SDL typologies have not been provided. We would ask that these are made available for our scrutiny.

END