

Chichester District Council CIL Examination: Response to Post- Examination Evidence

Prepared on behalf of:

Martin Grant Homes

August 2015

Turley

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August 2015

1. Response to Post-Examination Evidence

Introduction

- 1.1 This representation is submitted on behalf of Martin Grant Homes ('MGH'). It has been prepared by Turley Economics.
- 1.2 The purpose of this representation is to comment upon the further documents published by Chichester District Council ('CDC'), and its advisors Peter Brett Associates ('PBA'), in response to the questions issued by the Examiner (documents ED/5 and ED/5a) following the Chichester Community Infrastructure Levy (CIL) Examination.
- 1.3 The structure of this representation has been prepared to replicate the numbered questions, and themes, set out by the Examiner in documents ED/5 and ED/5a.

1. Residential Development

Sales Values – Transactional Evidence

- 1.4 In document ED/5A the Examiner requested that the appraisals of residential development should be re-run using sales values based on current residential sales, evidenced by data from an appropriate range of property transactions within Chichester district (as opposed to values of properties on the market) for 2015.
- 1.5 MGH had previously submitted representations highlighting:
 - The use of Land Registry re-sale property data by PBA to set proposed CIL Charging Zones; and
 - The absence of robust comparable new build property transactional evidence to underpin the residential sales values incorporated within PBA's viability appraisals.
- 1.6 This was discussed at some length at the Examination. Shortly before the Examination, PBA published document CDC-CIL-ED-4, which was titled *New Build Residential Property Prices in Chichester June 2015*.
- 1.7 This was the topic of some discussion at the Examination, however, forms a useful starting point for consideration in response to the Examiner's request in document ED/5A – as it represents new build data from 2015.
- 1.8 Firstly, MGH does not see this as a robust piece of evidence upon which the Examiner should consider placing weight. The title is misleading. Four of the schemes included are not even within Chichester district, and are in fact located in Horsham, and should be discounted from consideration:
 - Greenleaves, Billingshurst
 - Marringdean Acres, Billingshurst

- Milford Grange, Storrington
 - Rosewood House, Storrington
- 1.9 In addition, several schemes that are within Chichester district are not representative of the types of new build homes appraised within PBA's viability evidence and should also be discounted. For example:
- Brook Meadows, Hambrook – a 4 bed detached sized 223sqm is quoted. This site represents a small development of executive homes, which have been constructed and finished internally to a high specification. This is not representative of size of units developed by the wider new build market (i.e. volume developers) in the district.
 - The Nurseries, Chichester – The site is a small development of 5 no. high specification bungalows. Bungalows generally out-price the wider market, given their limited numbers and desirability, and are therefore misrepresentative of the type and size of units developed by the wider new build market (i.e. volume developers) in the district.
- 1.10 Moreover, the 'purchase prices' quoted within the document are not purchases prices at all. In fact, they are the quoted asking prices. PBA has simply assumed at face value that the asking price quoted on online advertising websites has been achieved.
- 1.11 Moving to consider the evidence subsequently published by PBA following the Examination – specifically document CDC-CIL-PH-1, it is apparent that PBA has simply updated the approach used within the previous submitted evidence (document CIL-02) as follows:
- Using Land Registry data of all property transactions (i.e. not isolating and assessing new build transactions) to produce a 'heat map' at a ward scale that demonstrates average prices for sales over a 12 month period of 01/04/2014 to 31/03/2015 for the district.
 - Reproduce the same data in both a graph and table at ward scale.
- 1.12 MGH's perceived shortcomings with this approach have not been resolved. There is no specific analysis of new build transactions using Land Registry data – despite PBA identifying new build sites and units being constructed and sold over this period. Instead, PBA is utilising all sales, which will include re-sale properties that are likely to bear no resemblance to those developed in the current market by housebuilders.
- 1.13 In Table 1.4 on p.6 of document CDC-CIL-PH-1, PBA presents evidence of new build dwellings that are 'sold'. MGH has reviewed this evidence and, again, it does not represent net sold prices, but the advertised asking prices of properties on property websites, where the property is stated as being sold or under offer. This is not an accurate or representative approach to demonstrating net sales values. For, the price paid by a purchaser of a new build property is rarely the price advertised by the developer via marketing – this merely reflects the developer's highest aspiration for the property in the market.

- 1.14 Based on the above, PBA have applied an increase of 3% to the sales values utilised in the viability appraisals within the previous submitted evidence (document CIL-02). This results in a rate of £3,400/sqm for houses and £3,780/sqm for flats in the proposed South of the National Park (NP) charging zone.
- 1.15 MGH does not believe that the evidence represents sound justification for the uplifting of new build sales values by £100/sqm – PBA simply has not presented the evidence to support this.
- 1.16 In order to, again, demonstrate that it is possible to obtain such data – and that it does not support PBA’s proposed increase of £100/sqm, MGH has presented a robust analysis of actual net sales transaction values recorded on Land Registry for Graylingwell Park, Chichester, which is being delivered by Linden Homes. It is clear from the analysis that £/sqm sales prices differ substantially from plot to plot, which will reflect unit location, outlook, characteristics and buyer negotiations.
- 1.17 However, this demonstrates that this site is achieving £3,274/sqm on average to date – with recent sales achieving both below and above this. Moreover, via previous representations (document REP/08/001), MGH has also presented evidence to confirm that sites elsewhere within the South of the NP zone are achieving net sales values closer to £3,000/sqm on average.
- 1.18 Considering this evidence, it is MGH’s view that the average achieved net sales values for typical new build housing sites across the South of the NP zone would be between £3,000/sqm and £3,300/sqm, dependent on location. Consequently, it is not considered justified or evidenced that PBA has re-run the viability appraisals and upped the sales prices to £3,400/sqm for houses in the South of the NP zone. It is MGH’s view that this will overstate viability and the capability of the majority of sites to meet the proposed rate of CIL.

Table 1.1: Net Sales Values – Transacted New Build Properties – Graylingwell Park, Chichester – Linden Homes

Purchased	Plot / House Type	Type	No.	Street	Sold Price	Sq m	Sq ft	£/Sq m	£/Sq ft
30/04/2015	Plot 189 - The Gaskell	3 bed Terraced	47	LONGLEY ROAD	£430,000	140.9	1517	£3,052	£283
12/06/2015	Plot 187 - The Gaskell	3 bed Terraced	51	LONGLEY ROAD	£425,000	140.9	1517	£3,016	£280
30/04/2015	Plot 431 - The Sedgewick	4 bed Semi	15	PENNY ACRE	£545,000	151.3	1628	£3,602	£335
29/05/2015	Plot 430 - The Pareham	3 bed Sem	16	PENNY ACRE	£565,000	155.4	1672	£3,636	£338
01/05/2015	Plot 429 - The Pareham	3 bed Terraced	17	PENNY ACRE	£572,950	155.4	1672	£3,687	£343
12/06/2015	Plot 422 - The Wiston	5 bed Detached	24	PENNY ACRE	£575,000	161	1732	£3,571	£332
19/03/2014	The Charlwood	3 bed Terraced	25	LONGLEY ROAD	£457,000	135.4	1475	£3,375	£310
16/07/2014	The Milne	3 bed Terraced	33	LONGLEY ROAD	£391,000	133	1432	£2,940	£273
31/03/2014	The Milne	3 bed Terraced	35	LONGLEY ROAD	£399,995	133	1432	£3,007	£279
08/12/2014	The Milne	3 bed Terraced	37	LONGLEY ROAD	£392,000	133	1432	£2,947	£274
30/05/2014	The Milne	3 bed Terraced	39	LONGLEY ROAD	£392,000	133	1432	£2,947	£274
28/03/2014	The Gaskell	3 bed Terraced	41	LONGLEY ROAD	£440,000	140.9	1517	£3,123	£290
30/10/2014	The Gaskell	3 bed Terraced	43	LONGLEY ROAD	£430,000	140.9	1517	£3,052	£283
11/07/2014	Plot 197 - The Charlwood	3 bed Terraced	63	LONGLEY ROAD	£460,000	135.4	1475	£3,397	£312
30/06/2014	Plot 196 - The Charlwood	3 bed Terraced	65	LONGLEY ROAD	£450,000	135.4	1475	£3,323	£305
31/10/2014	Plot 195 - The Charlwood	3 bed Terraced	67	LONGLEY ROAD	£475,000	135.4	1475	£3,508	£322

Source: Land Registry / Turley Analysis

Sales Values – Affordable Housing

- 1.19 MGH has previously highlighted concerns regarding the capital values attributed to affordable housing within Table 6-2 of the CIL viability evidence base (document CIL-02). Specifically, concerns were raised regarding:
- a. The overly simplistic nature of the approach taken, which simply applies a percentage of open market sale capital values to generate affordable housing transfer values.
 - b. In a further simplification, which also masks the actual capital values applied to social rent and intermediate units, a blended rate is applied.
 - c. The lack of evidence presented by CDC and PBA to justify the capital values utilised for affordable housing, with the only information provided being reference to 'HCA policy and consultation with RSLs' in Table 6-2 of document CIL-02.
 - d. The implications of commensurately inflating open market unit capital values on affordable unit values, particularly for affordable rent and social rent dwellings, which do not have a direct relationship with open market sales values.
- 1.20 This issue was briefly discussed at the CIL Examination and, in the view of MGH, was not conclusively resolved. No market evidence was put forward by CDC or PBA to justify the approach taken and no record of dialogue with RSLs was forthcoming.

Analysis of Blended Rate

- 1.21 MGH has analysed the blended rate applied to affordable housing in order to establish the capital value assumptions being utilised within the viability appraisals within document CDC-CIL-PH-1 for development South of the National Park (NP).
- 1.22 Firstly, the assumed capital values for social rent flats are £122,850 per unit, and the assumed capital values for social rent houses are £153,000 per unit. This breaks back to £1,890/sqm and £1,700/sqm respectively. Shared ownership capital values are also calculated.
- 1.23 Secondly, in arriving at the single 'blended rate' for affordable housing, which is applied within the viability appraisals, the tenure split is applied to weight the capital values. This results in a blended rate of £2,117/sqm for flats and £1,904/sqm for houses in the viability appraisals for the South of the NP zone in PBA document CDC-CIL-PH-1.
- 1.24 The process, and figures, are summarised in Table 1.2 overleaf.

Table 1.2: Analysis of Blended Affordable Housing Value – South of NP

Flats	% OMV	£/sqm	£/unit @65sqm	Tenure Split	Weighting (£/sqm)	Blended £/sqm
OMV	100%	3,780	£245,700	100%	£3,780	£3,780
SR	50%	1,890	£122,850	70%	£1,323	£2,117
SO	70%	2,646	£171,990	30%	£794	

Houses	% OMV	£/sqm	£/unit @90sqm	Tenure Split	Weighting (£/sqm)	Blended £/sqm
OMV	100%	3,400	£306,000	100%	£3,400	£3,400
SR	50%	1,700	£153,000	70%	£1,190	£1,904
SO	70%	2,380	£214,200	30%	£714	

Source: PBA - document CDC-CIL-PH-1 / Turley analysis

- 1.25 In order to test whether this reflected reality in May 2015, MGH has calculated the anticipated capital value that would be paid by an RP purchasing a social rent house and flat in the Chichester market. Crucially, RPs are expected to ensure social rents are affordable and have due regard to limits imposed by the Universal Credit and Local Housing Allowances (LHA).
- 1.26 The LHA for the Chichester Broad Rental Market Area (BRMA) is £198.11 per week for a 3 bedroom dwelling with a tenancy commencing in May 2015¹. The 3 bedroom rate is appropriate to apply to the PBA evidence base, given PBA utilises a 90sqm 3 bedroom house as the basis for appraisal. It does, however, form the maximum rate and, in reality, rents may be lower.
- 1.27 By multiplying this over a year to calculate a gross annual rent, and then deducting 35% allowances for management and maintenance charges, voids / bad debts, and repairs, this generates a net annual rent. The net rent is subsequently capitalised at a yield of 5.25% to generate a capital value of £127,545 (or £1,417/sqm).
- 1.28 This equates to 42% of the value of the open market houses included within the viability appraisals for the South of the National Park (NP) area within document CDC-CIL-PH-1. Moreover, it represents a maximum social rent for Chichester.
- 1.29 The exercise has been repeated for flats. The LHA for the Chichester BRMA is £160.00 per week for a 2 bedroom dwelling with a tenancy commencing in May 2015. The 2 bedroom rate is appropriate to apply to the PBA evidence base, given PBA utilises a 65sqm 2 bedroom flat as the basis for appraisal. Again, this forms the maximum rate and, in reality, rents may be lower.

¹ <https://lha-direct.voa.gov.uk/search.aspx>

- 1.30 By applying a consistent methodology, this results in a capital value of £108,160 (or £1,664/sqm). This equates to 44% of the value of the open market flats included within the viability appraisals for the South of the NP area within document CDC-CIL-PH-1. Moreover, it represents a maximum social rent for Chichester.
- 1.31 This clearly demonstrates that PBA's applied capital values for social rent units, which represent 70% of the affordable units within the appraisals, are too high. If RPs were required to pay the transfer values within the PBA evidence base to acquire the social units from a developer, they would be required to rent the homes to households at an unaffordable rate, which exceeded the LHA threshold.
- 1.32 MGH has not run a similar analysis for shared ownership properties. However, if the evidence MGH has prepared above was incorporated into the analysis, with shared ownership capital values retained as per PBA's assessment, this would have the following implications (see Table 1.3) for the affordable housing values included within PBA's viability assessment.

Table 1.3: Application of Corrected Social Rent Capital Values to Blended Affordable Housing Value included in PBA Viability Appraisals

Unit Type	Blended £/sqm		Absolute Difference (£/sqm)	% Difference
	PBA	MGH		
Flats	£2,117	£1,959	-£158	-7.5%
Houses	£1,904	£1,706	-£198	-10.4%

Source: PBA - document CDC-CIL-PH-1 / Turley analysis / VOA

- 1.33 It is evident that applying the corrected social rent capital values would have a substantial impact on the 'blended' rate applied within PBA's viability appraisals.
- 1.34 It is MGH's request that the evidence presented in Table 1.3 is applied in revised viability appraisals to be undertaken by PBA.
- Build Costs**
- 1.35 In document ED/5A the Examiner requested that the appraisals of residential development should be re-run to incorporate build costs based on the latest data for 2015 from recognised industry sources.
- 1.36 MGH had previously submitted representations to the Examination (document REP/08/001) highlighting concerns regarding the validity of the build cost evidence used by CDC / PBA to underpin the rates of £938/sqm (houses) and £1,168/sqm (flats) within Table 6-3 of document CIL-02.
- 1.37 MGH's concerns stemmed from an inconsistency between the rates set out in document CIL-02, which referred to the source as being RICS BCIS (presumably mean)

construction prices as at May 2014 with a regional adjustment factor of West Sussex applied, and the RICS BCIS building prices reported for this period upon review by MGH.

- 1.38 The BCIS evidence reviewed, and presented, by MGH reported a substantially higher set of construction costs for the same period and with the same adjustment factor applied, than was used by CDC / PBA in the viability evidence base.
- 1.39 This was discussed, at some length, at the Examination. However, CDC / PBA could not provide the original BCIS construction pricing data to justify the approach utilised as accurate and robust.
- 1.40 In responding to the Examiner's request PBA confirms, within paragraph 1.18 on page 6 of the document CDC-CIL-PH-1, that to estimated construction costs at May 2015:
- The latest hard copy (issue 137) published BCIS data is used (which is based on data available at quarter 4 2014).
 - The mean figure for 2-storey estate housing is used (£929/sqm) as a starting point (reflecting that this is a national figure and not reflective of local pricing).
 - An 'advised' uplift of 10% is applied to the £929/sqm, to generate a base cost of £1,022/sqm, which is used in the revised viability appraisals.
 - The same process is applied for flats, assuming 3-5 storeys, with the figure of £1,079/sqm increased by 10% to adopt a figure of £1,186/sqm.
- 1.41 It is subsequently stated by PBA in the following paragraph 1.19, that PBA has not utilised the online version of BCIS on the basis that it is updated regularly to reflect new information, with cost pricing consequently revised retrospectively. It is reiterated that the base BCIS data now used by PBA reflects information available to RICS (for publication in BCIS) up to Quarter 4 2014.
- 1.42 PBA's adopted method of updating BCIS costs continues to provide MGH with several fundamental concerns, the conclusion of which is that PBA is continuing to underestimate the costs of construction for inclusion in the appraisals underpinning the CIL viability evidence base.

Use of BCIS Hard Copy

- 1.43 Firstly, MGH fundamentally disagrees with PBA's assertion that there are 'dangers' associated with utilisation of the online RICS BCIS data.
- 1.44 The online RICS BCIS data is used by industry professionals (e.g. developers, RPs, Quantity Surveyors, architects, Financial Institutions, Planning Inspectors) nationally on a regular basis for benchmarking the construction costs of all types of development. The online version of RICS BCIS was introduced, and is a trusted resource for professionals, on the following basis:
- The data is based on recorded tender prices, which creates a time-lag in reporting prices. The published data is therefore backwards facing and can become quickly

out of date. This is a particular problem in the BCIS Hard Copy publications, which (as demonstrated by PBA's use of Quarter 4 2014 data) quickly become substantially out of date.

- The RICS BCIS online database allows swift and accurate regional and local adjustment to UK wide tender prices by ring-fencing and reporting data only applicable to the target area of assessment.
- The online RICS BCIS data is updated regularly with additional submitted tender price information. This data represents records of actual delivered schemes that were delivered at the time period in question.
- The robustness of RICS BCIS online is continuously improved by 'correcting' any inaccuracies created by a time-lag in reporting at the time by incorporating a wider sample of submitted tender prices as this information is subsequently submitted.

1.45 Consequently, online RICS BCIS data is used in both the evidence base for CIL rate setting nationally and as evidence supported by Planning Inspectors in viability focused Appeal decisions relating to specific developments (e.g. S106BC Appeals)². Nowhere else, in Turley's recent experience in advising on CIL and site-specific viability matters nationally, has reliance been placed on BCIS Hard Copy.

1.46 MGH can therefore see no good reason for CDC or PBA to revert to the use of RICS BCIS Hard Copy, which represents cost data that already pre-dates the target base date of May 2015 by 5 months at the very least. It will simply include a far higher margin for error in the viability appraisals by incorporating an underestimation of current (i.e. May 2015) construction costs, and representing a misalignment with PBA's updated sales values.

Use of 10% 'Advised Uplift'

1.47 MGH is secondly unclear as to the justification for PBA's use of a 10% 'advised uplift'. In the absence of a rationale, MGH has assumed that this reflects a regional adjustment factor to convert the national (UK) cost reported in BCIS Hard Copy to be reflective of construction costs applicable within West Sussex³.

1.48 MGH has reviewed the latest RICS BCIS mean costs for 2-storey housing for both the UK and West Sussex (specifically), which correct as at Quarter 3 2015.

1.49 The purpose of this exercise was not to seek to update the costs further, but simply to check on the appropriateness of the (assumed) regional adjustment factor applied by PBA to the BCIS Hard Copy (UK scale) figure. Hence, to avoid any confusion, no £/sqm figures are stated, but the evidence is attached for the Examiner's review in Appendix 1.

² Evidence of such Appeal Decisions can be provided for the Examiner's review and consideration if deemed useful.

³ The alternative assumption is that it reflects an estimated uplift to account for the 'time lag' from Quarter 4 2014 until May 2015. However, this is also unclear and unsubstantiated by PBA.

- 1.50 The latest RICS BCIS data demonstrates a regional adjustment factor of 11%, not 10%. That is to say, that construction costs in West Sussex are, on average 11%, in excess of the national average.
- 1.51 On this basis, and as a starting point, the evidence demonstrates that, if accepting PBA's methodology, the applied costs should have been £1,031/sqm for houses and £1,198/sqm for flats.
- 1.52 However, MGH does not accept PBA's methodology as correct or robust.

Reaching a Robust Build Cost

- 1.53 MGH remains firmly of the view that the RICS BCIS online data represents the most robust evidence base from which to establish 'build costs based on the latest data for 2015', provided from a recognised industry source. Such was the request made by the Examiner.
- 1.54 However, since the Examination, Turley has been involved in viability negotiations in which professional advice has been sought from Quantity Surveyors (QS) on the appropriate use of RICS BCIS in the wake of the Housing Standards Review (HSR), which removes the ability for Local Authorities to apply a requirement to construct to Code for Sustainable Homes (CSH) standards by planning condition. This is of relevance to the use of RICS BCIS as applied by PBA within the appraisals, with PBA utilising the 'default period' for BCIS.
- 1.55 RICS BCIS allows for different cut off points for its data sets. The 'default period' setting draws upon tender price evidence submitted to RICS over the previous 15 years, but this can be cut at 5 year intervals from a minimum of 5 up to 45 years in order to provide details of tender pricing over a specific period.
- 1.56 The residential construction data sets are considered to have reasonable samples in all period setting categories (i.e. from 5 years upwards), particularly when data is drawn from construction projects across multiple local authorities, and sample size is therefore deemed robust. Hence, why RICS publish BCIS with a minimum 5 year period setting.
- 1.57 The primary deficiency with using the 'default period' BCIS data set is the projects captured will have been delivered under a different regulatory and regime to the present Building Regulations.
- 1.58 Whilst CSH requirements were scrapped in 2015, a number of the component parts have been incorporated into other legislation, and in particular the Building Regulations. The Government consultation that led to the policy (i.e. the HSR) identified that the planning, regulatory and best practice regimes that had proliferated was not just confined to CSH. The HSR did not conclude that the regime should be turned back by 5, 10 or 15 years, and many of the potential savings identified were process savings, not capital cost savings. Changes, which will not be reversed by removal of CSH include:
- Building Regulations, and in particular Part L (for example 2002, 2006, 2010, 2013)
 - Minimum on site renewables (Planning and Energy Act 2008)

- Lifetime Homes (over Part M of the Building Regulations) (Launched 2010)
 - HCA Housing Quality Indicators for Affordable Housing (introduced in 2007)
 - NHBC Technical Standards (various)
 - Electrical Wiring Standards (17th Edition, 2008)
 - HSE Regulations and CDM (various)
 - Secure by Design (HCA 2007 standards for Affordable Housing)
 - Timber Frame Fire Management guidance
 - Waste Disposal Regulations (2011 and 2012)
- 1.59 Consequently, the 'default period', which reflects schemes constructed over the period 2000 to 2015 will include many schemes that do not reflect current Building Regulations, and the associated cost implications, given the various uplifts over this timeframe.
- 1.60 It is therefore strongly recommended that BCIS data is constrained to the latest '5 year period', which draws upon tender prices with a maximum project age of 5 years. Projects tendered and constructed from 2010 to 2015 are most representative of the cost of delivering to the current regulatory and best practice regime than projects tendered over the longer 15 year 'default period'.
- 1.61 To assist the Examiner in forming a view on this issue, MGH has provided a summary table (Table 1.4 overleaf), which provides straightforward comparison of the latest BCIS data (using both online and Hard Copy sources) for the 'estate housing 2-storey' measure and contrasts both the 'default period' of 15 years, and restriction to tender prices for projects constructed during the most recent '5 year period'.
- 1.62 Critically, the Quarter 2 2015⁴ online RICS BCIS data confirms build costs were £1,080/sqm, with projects restricted to the last 5 years, across West Sussex. Based on an assumption of 90sqm GIA for a standard 2 storey estate house⁵, this equates to a construction cost of £97,200 per unit.
- 1.63 The difference between this, and the cost proposed by PBA in document CDC-CIL-PH-1 is significant, but not unexpected when the 15-year timeframe and time-lag from Q2 2014 is taken into account. To quantify, the difference is £58/sqm, which equates to an increase of 5.7% or £5,220 per unit.

⁴ Note: covers period of April, May, and June.

⁵ Note: these unit size/type metrics are consistent with those applied by PBA in all CIL viability evidence and appraisals.

Table 1.4: RICS BCIS Construction Cost Summary

Measure	Date	Data Period	Unit Type	Unit Size (sqm)	BCIS £/sqm	Unit Cost
PBA - BCIS Hard Copy	Q4 2014	Default - 15 Yrs	Estate Housing - 2 Storey	90	£1,022	£91,980
BCIS Online	Q4 2014	Default - 15 Yrs	Estate Housing - 2 Storey	90	£1,039	£93,510
BCIS Online	Q4 2014	5 Yrs	Estate Housing - 2 Storey	90	£1,051	£94,590
BCIS Online	Q2 2015	Default - 15 Yrs	Estate Housing - 2 Storey	90	£1,068	£96,120
BCIS Online	Q2 2015	5 Yrs	Estate Housing - 2 Storey	90	£1,080	£97,200

Source: PBA, RICS BCIS, Turley

1.64 All RICS BCIS evidence to support the summary in Table 1.4 is appended to this document. The appended evidence also provides the same evidence for flats, which demonstrate cost of £1,366/sqm at Q2 2015 (based on flatted projects constructed over the last 5 years), compared to £1,186/sqm proposed by PBA in document CDC-CIL-PH-1 (for projects constructed over the past 15 years).

1.65 In summary, given the likely significant impact on the viability of development across Chichester, it is MGH's view that the Examiner should request that PBA re-run the appraisals in line with the request made in ED/5A. Accepting a date of May 2015, as proposed by PBA, the viability evidence should reflect the BCIS Online 'estate housing – 2 storey' measure for Q2 2015 and draw only upon a '5 year period' in order to encompass a sample of projects that most closely reflect the requirements (and hence costs) of construction to current Building Regulations. This cost would be £1,080/sqm for houses and £1,366 for flats.

SDLT

1.66 In document ED/5A the Examiner requested that appraisals should be re-run by CDC / PBA allowing for the reform to Stamp Duty Land Tax (SDLT) introduced by the Government in December 2014.

1.67 In the document CDC-CIL-PH-1 PBA states the following within paragraph 1.6 on page 2:

'Changes on all stamp duty rates are ultimately reflected in the sales values for residential property in the appraisals as stamp duty is paid for by the purchaser and not the developer.'

1.68 MGH believes it appropriate to provide additional clarification on this matter, to avoid confusion arising, given PBA's statement above.

- 1.69 The changes in SDLT introduced in December 2014 apply to residential property purchases. This form of SDLT is paid by the acquiring party (the purchaser) when buying a residential property⁶. As this tax is paid by the purchaser of a residential property (e.g. the acquiring household), and not the developer (or landowner), it is not part of the viability appraisal of a site and is therefore, correctly, excluded from the viability evidence base.
- 1.70 The changes in SDLT introduced in December 2014 do not alter the existing SDLT rates applying to non-residential and mixed use land and property⁷. These rates apply to freehold acquisition of commercial property (e.g. shops or offices), agricultural land, forests, any other land or property which is not used as a residence, 6 or more residential properties bought in a single transaction, and 'mixed use' property (e.g. both residential and non-residential elements).
- 1.71 On the basis that non-residential and mixed use land and property must be acquired by developers, from existing landowners, in order to deliver new developments, these SDLT rates are those that are incorporated, correctly, in the viability appraisals.
- 1.72 It is important to highlight that the developer (or landowner) will obtain no direct financial gain or increase in value arising from the changes to SDLT introduced in December 2014. Moreover, this form of SDLT is correctly excluded from the CIL viability evidence base.
- 1.73 The Government has provided clarity on the rationale for introducing SDLT reform on residential properties. In summary, it introduces a progressive structure that replaces the former 'slab' structure, which caused market distortions around certain price brackets.
- 1.74 The rationale is that by reducing SDLT rates for lower-mid range priced homes, it will enable purchasers to utilise the saving made to put towards mortgage deposits (on the basis this has provided a major affordability barrier and delay to households wishing to purchase a home). The Government's stance is as follows:
- 'The Government is reforming SDLT on residential properties to make it more efficient and fairer, ensuring that SDLT will be cut for 98% of people who pay it. The old structure of SDLT created distortions in the housing market and acted as a brake on aspiration as those wishing to move onto or up the housing ladder were met with large increases in tax when properties fell into higher tax bands. The new system will provide help to first time buyers and aspirational homeowners wishing to move up the housing ladder.'*⁸
- 1.75 It is therefore recommended that changes in SDLT introduced in December 2014 should fall outside of the Examiner's consideration.

⁶ <https://www.gov.uk/stamp-duty-land-tax/residential-property-rates>

⁷ <https://www.gov.uk/stamp-duty-land-tax/nonresidential-and-mixed-use-rates>

⁸ HM Revenue & Customs (December 2014) Stamp duty land tax: Reform of structure, rates and thresholds: Guidance Note – p.8

Re-running of Appraisals & Revised Table 8-1

- 1.76 For the reasons set out above, in preceding sections, it is MGH's view that the revised Table 8-1, which is set out as Table 1.5 in document CDC-CIL-PH-1 is fundamentally wrong. Critically, PBA has not used the latest, or robust, build cost data. MGH has demonstrated and evidenced that rates are substantially higher.
- 1.77 Consequently, Table 1.5 in document CDC-CIL-PH-1 is an unreliable basis upon which to set CIL rates.

2. Strategic Development Locations (SDLs)

- 1.78 MGH does not wish to comment upon the evidence presented for the SDL's, other than to highlight that PBA's erroneous approach to affordable housing values and construction costs has also been applied within this assessment.

3. Retail Development

- 1.79 MGH does not wish to comment on this type of development.

4. Conclusions

- 1.80 MGH disagrees with the conclusions set out by PBA in document CDC-CIL-PH-1. It is not MGH's view that PBA has used the latest, or robust, value and cost information to underpin the re-run viability appraisals.
- 1.81 For this reason, it is MGH's view that the evidence base remains an unreliable basis upon which to set CIL rates.

Appendix 1: RICS BCIS Costs – Q3 2015 – UK & West Sussex

£/m² study

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

Last updated: 08-Aug-2015 12:20

At 3Q2015 prices (based on a Tender Price Index of 266) and UK mean location (Location index 100).

Maximum age of results: Default period

Building function (Maximum age of projects)	£/m ² gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
New build							
Estate housing							
Generally (15)	993	492	851	970	1,098	2,038	1746
Single storey (15)	1,090	578	935	1,058	1,236	1,855	284
2-storey (15)	973	492	844	957	1,071	1,921	1329
3-storey (15)	989	641	812	937	1,099	2,038	132
4-storey or above (25)	1,403	1,071	-	1,276	-	1,862	3
Estate housing detached (15)	1,062	759	888	1,095	1,197	1,376	16
Estate housing semi detached							
Generally (15)	992	511	865	970	1,096	1,855	398
Single storey (15)	1,138	684	962	1,132	1,293	1,855	64
2-storey (15)	967	511	859	957	1,065	1,699	315
3-storey (15)	928	681	770	910	1,005	1,461	19
Estate housing terraced							
Generally (15)	1,010	497	844	976	1,132	2,038	387
Single storey (15)	1,082	653	897	997	1,302	1,685	54
2-storey (15)	999	497	845	976	1,115	1,921	275
3-storey (15)	996	641	810	928	1,063	2,038	58

£/m² study

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

Last updated: 08-Aug-2015 12:20

› Rebased to West Sussex

Maximum age of results: Default period

Building function (Maximum age of projects)	£/m ² gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
New build							
Estate housing							
Generally (15)	1,102	546	945	1,077	1,219	2,262	1746
Single storey (15)	1,210	642	1,038	1,174	1,372	2,059	284
2-storey (15)	1,080	546	937	1,062	1,189	2,132	1329
3-storey (15)	1,097	711	901	1,040	1,219	2,262	132
4-storey or above (25)	1,557	1,188	-	1,416	-	2,067	3
Estate housing detached (15)	1,178	843	986	1,216	1,329	1,527	16
Estate housing semi detached							
Generally (15)	1,101	567	960	1,077	1,217	2,059	398
Single storey (15)	1,263	760	1,068	1,256	1,435	2,059	64
2-storey (15)	1,073	567	954	1,062	1,183	1,886	315
3-storey (15)	1,030	756	854	1,010	1,115	1,622	19
Estate housing terraced							
Generally (15)	1,121	552	937	1,083	1,257	2,262	387
Single storey (15)	1,201	725	996	1,107	1,446	1,870	54
2-storey (15)	1,109	552	938	1,083	1,238	2,132	275
3-storey (15)	1,106	712	899	1,030	1,180	2,262	58

Appendix 2: BCIS Online Costs – Q4 2014 & Q2 2015

£/m2 study

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

Last updated: 08-Aug-2015 12:20

› Rebased to 4Q 2014 (256; sample 24) and West Sussex

Maximum age of results: Default period

Building function (Maximum age of projects)	£/m ² gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
New build							
Estate housing							
Generally (15)	1,061	526	909	1,037	1,173	2,177	1746
Single storey (15)	1,165	618	999	1,130	1,320	1,982	284
2-storey (15)	1,039	526	902	1,022	1,144	2,052	1329
3-storey (15)	1,056	684	867	1,001	1,174	2,177	132
4-storey or above (25)	1,499	1,144	-	1,363	-	1,989	3
Estate housing detached (15)	1,134	811	949	1,170	1,279	1,470	16
Estate housing semi detached							
Generally (15)	1,060	546	924	1,036	1,171	1,982	398
Single storey (15)	1,215	731	1,028	1,209	1,381	1,982	64
2-storey (15)	1,033	546	918	1,022	1,138	1,815	315
3-storey (15)	991	728	822	972	1,073	1,561	19
Estate housing terraced							
Generally (15)	1,079	531	902	1,043	1,210	2,177	387
Single storey (15)	1,156	698	958	1,065	1,391	1,800	54
2-storey (15)	1,067	531	902	1,043	1,191	2,052	275
3-storey (15)	1,064	685	865	991	1,135	2,177	58
Flats (apartments)							
Generally (15)	1,271	633	1,061	1,226	1,442	3,351	795
1-2 storey (15)	1,199	709	1,036	1,157	1,339	2,315	190
3-5 storey (15)	1,253	633	1,055	1,219	1,435	2,526	528
6+ storey (15)	1,580	938	1,292	1,546	1,699	3,351	73

£/m² study

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

Last updated: 08-Aug-2015 12:20

› Rebased to 4Q 2014 (256; sample 24) and West Sussex

Maximum age of results: 5 years

Building function (Maximum age of projects)	£/m ² gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
New build							
Estate housing							
Generally (5)	1,072	628	930	1,041	1,173	2,052	710
Single storey (5)	1,210	805	1,014	1,212	1,372	1,982	82
2-storey (5)	1,051	628	920	1,034	1,140	2,052	579
3-storey (5)	1,098	694	962	1,084	1,275	1,561	48
4-storey or above (5)	1,144	-	-	-	-	-	1
Estate housing detached (5)	1,098	811	919	1,081	1,243	1,470	7
Estate housing semi detached							
Generally (5)	1,083	779	933	1,047	1,163	1,982	179
Single storey (5)	1,251	805	1,033	1,224	1,382	1,982	24
2-storey (5)	1,055	779	930	1,036	1,142	1,815	147
3-storey (5)	1,084	791	934	1,073	1,147	1,561	8
Estate housing terraced							
Generally (5)	1,074	694	922	1,040	1,162	2,052	144
Single storey (5)	1,242	832	987	1,214	1,429	1,800	11
2-storey (5)	1,058	713	898	1,026	1,136	2,052	112
3-storey (5)	1,069	694	978	1,081	1,135	1,516	21
Flats (apartments)							
Generally (5)	1,339	734	1,132	1,300	1,517	3,188	208
1-2 storey (5)	1,209	772	1,103	1,186	1,302	1,750	40
3-5 storey (5)	1,330	734	1,124	1,313	1,507	2,443	135
6+ storey (5)	1,535	975	1,333	1,552	1,644	3,188	32

£/m² study

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

Last updated: 08-Aug-2015 12:20

› Rebased to 2Q 2015 (263; forecast) and West Sussex

Maximum age of results: Default period

Building function (Maximum age of projects)	£/m ² gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
New build							
Estate housing							
Generally (15)	1,090	540	934	1,065	1,205	2,236	1746
Single storey (15)	1,197	635	1,026	1,161	1,356	2,036	284
2-storey (15)	1,068	540	927	1,050	1,176	2,108	1329
3-storey (15)	1,085	703	891	1,029	1,206	2,236	132
4-storey or above (25)	1,540	1,175	-	1,400	-	2,044	3
Estate housing detached (15)	1,165	833	975	1,202	1,314	1,510	16
Estate housing semi detached							
Generally (15)	1,089	561	949	1,064	1,203	2,036	398
Single storey (15)	1,249	751	1,056	1,242	1,419	2,036	64
2-storey (15)	1,061	561	943	1,050	1,169	1,865	315
3-storey (15)	1,018	748	845	998	1,103	1,603	19
Estate housing terraced							
Generally (15)	1,109	545	926	1,071	1,243	2,236	387
Single storey (15)	1,188	717	984	1,094	1,429	1,849	54
2-storey (15)	1,096	545	927	1,071	1,224	2,108	275
3-storey (15)	1,094	704	889	1,018	1,166	2,236	58
Flats (apartments)							
Generally (15)	1,306	650	1,090	1,260	1,482	3,442	795
1-2 storey (15)	1,232	728	1,064	1,188	1,376	2,378	190
3-5 storey (15)	1,287	650	1,084	1,253	1,475	2,595	528
6+ storey (15)	1,623	964	1,327	1,588	1,745	3,442	73

£/m² study

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

Last updated: 08-Aug-2015 12:20

› Rebased to 2Q 2015 (263; forecast) and West Sussex

Maximum age of results: 5 years

Building function (Maximum age of projects)	£/m ² gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
New build							
Estate housing							
Generally (5)	1,102	645	955	1,070	1,205	2,108	710
Single storey (5)	1,243	827	1,042	1,245	1,410	2,036	82
2-storey (5)	1,080	645	946	1,062	1,171	2,108	579
3-storey (5)	1,128	713	989	1,113	1,310	1,603	48
4-storey or above (5)	1,175	-	-	-	-	-	1
Estate housing detached (5)	1,128	833	944	1,111	1,277	1,510	7
Estate housing semi detached							
Generally (5)	1,112	800	959	1,075	1,195	2,036	179
Single storey (5)	1,285	827	1,062	1,258	1,419	2,036	24
2-storey (5)	1,084	800	956	1,064	1,174	1,865	147
3-storey (5)	1,113	813	959	1,102	1,178	1,603	8
Estate housing terraced							
Generally (5)	1,103	713	947	1,068	1,194	2,108	144
Single storey (5)	1,276	855	1,014	1,247	1,468	1,849	11
2-storey (5)	1,087	732	922	1,054	1,167	2,108	112
3-storey (5)	1,098	713	1,005	1,110	1,166	1,558	21
Flats (apartments)							
Generally (5)	1,376	754	1,163	1,336	1,558	3,275	208
1-2 storey (5)	1,242	793	1,134	1,219	1,338	1,798	40
3-5 storey (5)	1,366	754	1,154	1,349	1,548	2,509	135
6+ storey (5)	1,577	1,002	1,370	1,594	1,689	3,275	32

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