

23 September 2015
150923 Chichester District Council CIL Examination Response to Councils 10th September Response



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BY EMAIL

Dear Sir,

CHICHESTER DISTRICT COUNCIL COMMUNITY INFRASTRUCTURE LEVY (CIL) EXAMINATION FURTHER RESPONSE – DEVELOPER CONSORTIUM

As you are aware, Savills is acting on behalf of a Consortium comprising Bloor Homes, Linden Homes, Miller Homes and Seaward Properties ("The Consortium"). We write to respond to the Examiner on matters relating to the Chichester District Council (CDC) CIL Examination. This letter is further representation to the most recent response from the Council to the Examiner (on the 10th September), in relation to the Examiner's further questions (of the 28th August).

Savills has made representation at all stages of consultation and also attended the Examination Hearing Session on 9th June. Our most recent representation was our 'Response to Council's Post Hearing Revised Appraisals' dated 21st August 2015 (attached hereto). In our recent representation we concluded that the proposed rate of CIL will adversely impact the delivery of the West of Chichester and Tangmere Strategic Sites, and set out our evidence in respect of this. The potential impact is of particular and substantial concern, as these two sites represent a significant number of units coming forward over the plan period. Despite this evidence, and the ongoing questions and clarifications sought from the Examiner, CDC has remained of the view that no differentiation is required in the CIL charging schedule for strategic development sites. This remains surprising given the evidence, the reliance placed on these sites, and the ability to use Section 106/278 to secure the appropriate infrastructure at the planning application stage.

The Council's response to the Examiner's further questions primarily focuses on representations made by Turley rather than ourselves, most notably is that the Council propose no change to the CIL. Given the further opportunity to comment the Consortium wishes to reiterate our concern that CDC's proposed CIL rates threaten the delivery of the aforementioned sites, which we would stress could put the entire delivery of the plan at risk. We also reiterate that we do not believe that the proposed Charging Schedule accords with NPPF paragraphs 173-177. Our position remains that the proposed CIL rates for the strategic sites are modified to no more than **£60 per square metre** for residential.

We make the following comments on PBA's latest response:

SALES EVIDENCE

The new build sales evidence submitted by PBA is derived from West Wittering, north of Selsey and West of Donnington. This is not reflective of the feasible sales values on strategic sites West of Tangmere, which would be lower than the areas analysed. Savills has already provided evidence of this in our latest representation within sections 4.8 to 4.10, which we trust the Examiner will consider.

AFFORDABLE HOUSING SALES VALUES

PBA has provided no evidence to support their values for affordable housing. We consider that this input is therefore not robust for determining viability. Affordable housing is a key component of the CIL viability testing, it is therefore of paramount importance that the affordable housing assumptions are realistic and reflective of current market conditions. With this in mind, we would highlight the impact of the recent 2015 Budget announcements on the affordable housing sector, which can be summarised as follows:

- An absolute rent reduction of 1% per annum on social and affordable rents until 2020;
- A Freeze on Local Housing Allowance (the housing benefit cap);
- A reduction in the benefit cap to £23,000 in London and £20,000 in the rest of the Country, from the current £26,000; and
- The abolition of Housing Benefit for under-21's and the end of Social Rents for Local Authority and Housing Association tenants who earn more than £30,000 (£40,000 in London).

We are aware that Registered Providers are consequently renegotiating Section 106 packages, with a direct impact on land values. These amendments will subsequently have a significant impact on Registered Providers and the valuation of affordable / social rental products in CIL viability work. The impact will vary depending on the tenure split prescribed by the Local Planning Authority, as only social and affordable rental products are affected; however, we are aware of offers being reduced by £10k - £30k per plot.

For the purpose of viability appraisals these policy requirements will clearly result in a reduction in affordable revenues for developers. In light of this, we would strongly advocate the Council undertaking additional viability testing to take account of these changes. At the very least, as the CIL rate is fixed, we advise that the Examiner provide due weight to the changes affecting affordable housing in respect of the amount of buffer which should be applied between what may be theoretically viable, against the actual CIL rate.

BUILD COSTS

The evidence on build costs presented by PBA is dated 2013, Savills deem this historic data to be obsolete. We would urge that express caution be given to utilising such inputs for viability purposes, giving due regard to the fact that build costs are a highly sensitive input; for example Tender prices rose by 2.4% in 4th quarter 2014, compared with the previous quarter, and by 7.1% compared with a year earlier. Tender prices are forecast to rise by 28% in the next five years, at a rate of 4.5% – 6% per annum. An updated evidence base would therefore be more credible, to ensure viability outputs are reliable. Therefore we consider that using 2013 data is too conservative an approach, we would urge the Examiner to consider the impact of this. In Savills opinion, build costs will continue to increase at a rate faster than sales values in locations such as Chichester.

SUMMARY

We hope the Examiner takes this opportunity to re-appraise the Consortium's evidenced concerns throughout this consultation process in respect of the Council's proposals, and considers a maximum rate of **£60 per square metre** on the Strategic Sites in order to ensure the delivery of the Local Plan.

Yours faithfully,



Charles Collins MRTPI
Associate Director
Planning