The preparation of the Community Infrastructure Levy is a public process and your full representation will be made public for this purpose.	*For office use only:*
	Date received:
	Rep no:

Greater Norwich Development Partnership

Community Infrastructure Levy

Draft Charging Schedules for Broadland, Norwich and South Norfolk

Representations Form

Please return to:

By email: cil@gndp.org.uk

By post: Greater Norwich Development Partnership
PO Box 3466
Norwich
NR7 0DU

All comments must be received by 5pm on Monday 5 March 2012

Please read the Statement of Representations Procedure and Guidance Notes before you complete this form.

	1. Personal details:	2. Agents details (if applicable)
	**If an agent is appointed, please complete only the Title and Name boxes in column 1 below, but complete the full contact details of the agent in column 2.*	
Title		Mr
First name		John
Last name		Long
Job title		Senior Planning Associate
Organisation	Hethersett Land Ltd	Bidwells
Address	c/o 2 Fredrick Mews Kinnerton Street, London	16 Upper King Street, Norwich
Postcode	SW1X 8EQ	NR3 1HA
Telephone no.		[redacted]
Email address		[redacted]

Q1. Do you consider the Council(s) has followed a correct approach in developing the Draft Charging Schedule as required by the Community Infrastructure Levy Regulations 2010 (as amended)?

Yes ☐ **No** ✓

I would like my representation to be considered for (please tick all that apply):

Broadland District Council's Draft Charging Schedule………. ✓

Norwich City Council's Draft Charging Schedule…………….. ✓

South Norfolk Council's Draft Charging Schedule……………✓

If no:

a. Did you raise this issue at the Preliminary Draft Charging Schedule Consultation Stage?

Yes ✓ **No** ☐

b. Please give details of what change(s) you consider are necessary, having regard to the legal requirements for a charging schedule and, if not raised previously, why not. You will need to say why you think this change will make the Draft Charging Schedule legally compliant. It will be very helpful if you could also put forward your suggested revised wording of any text. Please note your comment should briefly cover all the information, evidence and supporting information necessary to support or justify the representation and the suggested change as, after this stage, further submissions will only be possible at the request of the examiner, based on the matters and issues he/she identifies for examination. Please be as precise as possible. Only information that relates to the representation will be accepted.

Summary

Hethersett Land Ltd note the reduction in the residential CIL rate (Zone A – Inner) from £165 sqm as proposed in the draft Charging Schedule (Oct-Nov 2011) to £115 sqm (Feb 2012).

Representation were submitted (in the name of Ptarmigan Land Ltd) in respect of the draft charging schedule in Nov 2011 concerning the robustness of the data and assumptions that supported the draft schedule, in particular the GVA study (2011) which suggested a residential CIL rate of £170 sqm., would be viable in the inner area/A11 corridor. This conclusion was contested.

Although the reduction in the CIL rate to £115 sqm for residential development in the inner area (Zone A) is movement in the right direction, not all of the original concerns over the evidence base are dispelled by this change and there remains a concern that the GNDP has failed to provide sufficient and robust evidence that the CIL rate of £115 sqm., would not result in development schemes across Zone A being rendered unviable.

The reduction appears to have been applied as a result of a discounting process applied to the original GVA figure (£170 sqm) to take account of:

1) combining central, A11 and inner areas;

2) reduced land values and expected S106 costs; and

3) to allow the incorporation of garages within the figure.

The GNDP still appear to be relying on the original GVA (2011) report (and addendum) with some additional work (Supplementary Evidence on Residential Viability (GNDP, Dec, 2011) to underpin the current reduced rate and to attempt to demonstrate viability.

Hethersett Land Ltd suggests that the original GVA figure to which the discounting process is applied is not based on robust evidence (see below). Hethersett Land Ltd therefore suggests that the starting point for the discounting is wrong.

Furthermore, it appears that the only justification underpinning the reduced residential rate of £115 sqm (in Zone A), is in the application of scenario 1 (GNDP cost assumptions based on HCA advice) as set out in the CIL Supplementary Evidence report (GNDP, Dec 2011). Hethersett Land Ltd has a number of concerns over the robustness of this supplementary evidence work (see below).

Additionally, the GNDP's contingency mechanism for dealing with inaccuracies in its evidence, which appears to be that if the developers are proved right and for instance, build costs are higher, then the amount of affordable housing can be reduced, is fraught with political difficulties. Nowhere in the evidence is it explained what level of affordable housing reduction would be deemed reasonable by Council's if the development industry's opinions on costs are proved correct. This is a considerable shortcoming in the evidence. The GNDP need to make the public and Local Council Members aware of the potential reduction in affordable housing provision in the area if some of its assumptions underpinning the CIL are as we and others in the development industry suggest proved incorrect. The Councils also need to specify what reduced level of affordable housing would still be deemed acceptable in the event of the assumptions being incorrect.

Hethersett Land Ltd therefore considers that:

1. The draft CIL schedule is not supported by background documents containing appropriate and robust assumptions and evidence;
2. The proposed rates are not properly informed by and consistent with evidence on economic viability across the Greater Norwich Area; and
3. There is insufficient evidence currently provided that demonstrates the proposed rates would not put at serious risk the overall development of the Greater Norwich Area (particularly the Inner Area (Zone A)).

Detailed Comments on Background Documents and the Evidence Base

Representations were submitted (in the name of Ptarmigan Land Ltd) on the draft CIL Charging Schedule in Nov 2011. The representations concerned the robustness of the data and assumptions that supported the draft schedule, in particular the GVA study (2011). Although some of the concerns have been addressed, a number of the original concerns on these matters still stand and have yet to be adequately addressed. Further concerns are also raised in respect of the supplementary work that purports to provide evidence of viability.

Outstanding Concerns with GVA assumptions on land values

The GVA Study's assumption on the values of land in the A11 are still questioned. Development land values of £210,000 - £250,000 per acre (865,000-£1,500,00 per ha.) have been used in the viability assessment for land within the A11 corridor.

This is contrary however to the advice that GVA received from local agents whom suggest values are more in the region of £350,000 - £600,000 per acre (with the A11 corridor achieving similar values to the city-centre).

The original GVA assessments do not adequately explain why the appraisals have used values for the A11 corridor which are over 50% less than the advice received from local agents, particularly as the document stresses that if land values are reduced by 25% a development becomes unviable.

GVA subsequently issued an addendum on the document to try and clarify this inconsistency. However all GVA have done is to suggest previous extracts of text were incorrect and have replaced them with new wording (which does not distinguish the higher development land values of the A11).

Bearing in mind the emphasis the document had previously placed on the higher sales values achievable in the A11 corridor (which in turn could justify a higher CIL) it does not seem logical to say that land values would also not be higher. Indeed the suggested change in text could be interpreted as a way to manipulate the facts to fit their original conclusions.

It should also be noted that GVA's Addendum contradicts itself by saying on page 2 that the land values used in their report are for land with planning permission while on page 3 they say the land values represent existing use values with an element of "hope value" on anticipation of planning permission. The difference in potential values for each of these descriptions is huge which further brings into question the accuracy of the document.

Outstanding Concerns with GVA assumptions on densities and developable land

The viability assessment for Scheme 5 in the A11 corridor uses a benchmark land value of £13m. Assuming GVA's land value of £0.21m - £0.25m per acre is correct this would equate to this scheme having approximately 57 Net Developable Acres. Bearing in mind Scheme 5 is supposed to represent a development of 1,000 houses this would mean the development density of such a scheme would be 17.5 dwellings per acre.

This is a high development density and does not reflect the character of most schemes in Norfolk (outside of the city centre) which is less than 15 dwellings per acre. If a density of 15 dpa was applied to Scheme 5 it would mean the development would have 67 Net Developable Acres. If applied to GVA's suggested land values this would mean the benchmark land value should actually be £15.4m not £13m as suggested.

If this land value had been used in the viability assessments then there would be many more scenarios which would show the CIL charges being unviable or marginal.

Concerns with the Supplementary Evidence on residential Viability, Dec 2011

It appears that the only justification underpinning the reduced residential rate of £115 sqm. (in Zone A), is in the application of scenario 1 (GNDP cost assumptions based on HCA advice) upon a 250 dwelling greenfield site (Scheme 1). Hethersett Land Ltd have a number of concerns over this evidence:

Concerns over Sample size

The evidence considers only a very small sample of schemes. It does not look at schemes larger than 250 dwellings. It is not a representative sample of the schemes likely to come forward in Zone A. A number of schemes in Zone A will be well above 250 homes and will more than likely attract larger section 106 and infrastructure/abnormal costs.

Concerns over Benchmark values

The evidence uses viable benchmark values (in the A11 and inner Area) of £520, 000 - £620, 000 per ha. (£210k - 250k per acre) with marginally viably values of £390,000 to £496,000 per ha. (£157k acre - £188k per acre) i.e. 25% less than the benchmark figure.

These figures equate to the 'revised' figures in the GVA addendum . The difference between what was originally stated in the GVA report, as being current market values based on evidence from local agents and sales evidence i.e. £865,000-£1,500,000 per ha. (£350k – £600k per acre) and the revised figure of £620, 000 - £1.5m per ha. (£250k-£600 per acre) has been put down to a typographical error.

However, no evidence is presented that that demonstrates the local agents view that the correct figure is at the lower end suggested. The GNDP needs to provide factual evidence on land values that supports the assertions made in the GVA report (as amended).

Concerns over Scheme 1 (250 dwellings) modelling assumptions:

Development ratio

The assumed gross/net ratio of 83.51% is not representative of the sites that will come forward in Zone A. This does not reflect a greenfield site at all and is instead reflects a Norwich city centre density. To suggest in para 4.3 of the report that the scheme is low density and could be potentially increased further is misleading to readers, particularly in the light of the JCS and local plan policy requirements for open space and green space. The higher gross/net figure artificially skews the model and results in more schemes would be viable that would be the case. The GNDP should apply a gross/net ratio that reflects the type of greenfield site likely to come forward in Zone A (approx. 65%).

Average House size

The evidence assumes an average house size of 97.31m2. This is in line with what most house-builders would say represents a typical size of an open-market dwelling in the local area (as advised at the Developer CIL Forum).

However the way the examples work mean that once the affordable housing units are deducted it means the average size of the open-market units actually works out to be 113m2 (18,809m2/167nr). An average dwelling size of this scale is not typical for the local area and artificially inflates the overall numbers.

Affordable Housing Sales

The affordable housing sales figure work out to be £77,000 per house. Hethersett Land Ltd has received advice that at the policy tenure requirement of 85% socially rented /15% intermediate this figure is actually £65,000 per house. There is no evidence provided that demonstrates the affordable housing figures can be achieved.

Affordable Housing costs

The examples assume the Affordable Housing will be Code Level 3. This is incorrect. Affordable houses are already Code Level 4 and set to increase to Level 5 shortly. Similarly many of the open-market houses would need to be built at Code Level 4.

Developer Profit

Developer’s Profit has been calculated as 20% of Cost when it should be 20% of the GDV of the open-market units and 6% of the affordable housing units. Using the example given this would equate to £7.8m not the £5.4m being shown.

Finance Costs

Finance costs of 7% have been included for the build cost of the scheme but it appears that finance costs to buy the land are not accounted for. Developers are unlikely to buy land with 100% equity, and a financing cost needs to be included. Also, the model does not take account of increases in finance costs when bank lending rates inevitably increase.

Reduced Affordable Housing

For the scenarios where affordable housing is reduced, it has been reduced to 18%. This is less than the previous base level of 20%. There is no evidence/statement provided that demonstrates that the Council’s will accept 18% affordable housing as a reasonable figure to include in planning applications.

House Price Rises

The report refers to the Savills forecast which suggests that that houses in the Eastern Region is predicted to grow by 14% in the next 5 years. However, the scenarios do not take account of inflation over the period. In other parts of the Savills forecast article, it was noted that inflation over the period would have the effect of wiping out the impact of the 14% increase in house prices.

Build Cost Price Rises

Build costs will increase as higher building regulations standards come into force.

Increase in commodity prices, labour costs will also add to build costs. This is not taken into account in the model assumptions.

Report's Conclusions

Given the shortcomings in the assumptions, the supplementary evidence report's conclusion that the ***"…proposed CIL charges will result in the full requirement for affordable housing and a viable land value in most cases, particularly where reasonable assumptions are made on costs***.", is not credible, especially since the development industry has consistently raised issues on the GNDPs/GVA's assumptions on land values and costs etc. Tellingly, using the assumptions on costs provided by the development industry, the report conceded that even marginal land values cannot be achieved.

CIL Background and Context Paper

The suggestion in the CIL Background and Context paper (GNDP, March 2012) (para 7.9) that recent s106 negotiations help justify the GVA study needs further explanation.

For instance, no evidence is put forward concerning:

- where the schemes were
- How many schemes were considered
- what type of development were they
- what was the developable acreage;
- whether they have they been built;
- what level of affordable housing was provided.
- Whether the section 106's are in the process of being renegotiated.

Until more information is known and placed in the public domain, this 'justification' cannot be considered admissible.

Overall conclusions

Hethersett Land Ltd considers that:

1. The draft CIL schedule is not supported by background documents containing appropriate and robust assumptions and evidence;

2. The proposed rates are not properly informed by and consistent with evidence on economic viability across the Greater Norwich Area; and

3. There is insufficient evidence currently provided that demonstrates the proposed rates would not put at serious risk the overall development of the Greater Norwich Area (particularly the Inner Area (Zone A)).

Suggested Changes:

The current evidence base is still questioned and does not currently demonstrate scheme viability at the rates proposed. Until it does so, the CIL rates cannot be considered to be based on robust and credible evidence and should not be approved.

The GNDP needs to put forward further robust and convincing evidence that the proposed CIL rate for residential development in the Inner Area (Zone A) results in viable schemes.

The GNDP needs to re-run its testing scenarios with correct assumptions (see above). If the re-runs cannot justify the proposed CIL rate, then it needs to be reduced to a level that does demonstrate development viability across Zone A.

The GNDP also needs to issue a statement/provide evidence confirming that where there are issues of viability caused by CIL, that Councils will accept a reduced affordable housing figure, and state what the figure can reasonably be reduced to and still receive Council support.

Q2. Please state in the table below which part of the Draft Charging Schedule(s) you have further comment on.

I would like my representation to be considered for (please tick):

Broadland District Council's Draft Charging Schedule………. ☐

Norwich City Council's Draft Charging Schedule…………….. ☐

South Norfolk Council's Draft Charging Schedule……………☐

Paragraph e.g. 1.1	**Comment**
Please enter the paragraph number here	*Please enter your comment here*

Supporting documents

You can support your comment with documents. Please refer to the guidance notes if you wish to submit documents. Please list any documents that you are sending to support your comment.

Please add your comments here

Notification requests

In line with the Statement of Representations procedure, please indicate if you wish to be:

☐ heard by the Examiner

☐ notified that the Draft Charging Schedule has been submitted to the Examiner in accordance with Section 212 of the Planning Act 2008

☐ notified of the publication of the recommendations of the Examiner and the reasons for those recommendations

☐ notified of the approval of the Charging Schedule by the Charging Authority(s)

Signature:

Signature:	Date:

NB: A signature is not required on forms returned electronically

Please email to cil@gndp.org.uk or post to Greater Norwich Development Partnership, PO Box 3466, Norwich, NR7 0DU