

Broadland District Council, South Norfolk Council and Norwich City Council – Community Infrastructure Levy Examination

Rebuttal to the Councils note on proposed rate of residential CIL following Day 1 of the Examination

1. This note has been prepared by Morston Assets in response to the note prepared by Broadland District Council, South Norfolk Council and Norwich City Council dated Monday 22nd October 2012 – following Day 1 of the Examination
2. In summary, the Councils (Broadland District Council, South Norfolk Council and Norwich City Council) have provided worked examples that they claim demonstrates that a residential CIL rate of £115 per square metre for the inner area “falls comfortably within the range of viable outcomes”.
3. However, the worked examples provided in Appendix 1 of the Councils’ note are all based upon the maximum allowance for a reduction in land value (25%).
4. Whilst we acknowledge, and accept, that CIL is intended to be deducted from the land value, we consider that it is unreasonable to use the maximum assumed reduction in land value (25%) as the basis for justifying the proposed residential CIL rate. This is primarily because:
 - i. The Councils have provided no evidence to support the premise that landowners will be willing to accept a 25% reduction in land value and still consider this to be a “competitive return” as required by NPPF (paragraph 173.);
 - ii. By using the maximum assumed reduction in land value there is no provision of a viability cushion, which should be provided to avoid housing land supply within the CIL charging area from being put at risk.
5. We consider that these issues will be particularly problematic within inner City locations (where land values fall at the lower end of the benchmark value) where land owners are likely to require a greater incentive in order to bring forward sites that are currently in commercial use.
6. Making an assumption that a 25% reduction in land value is accepted across the board will therefore jeopardise delivery of planned housing growth within the proposed CIL inner area, and in particular within the City/urban area.
7. Fundamentally, assuming that 25% of land value will be available for a contribution towards CIL, would appear to leave no buffer for local variations in land value, which may be required to incentivise land owners to bring sites forward for residential development. We therefore consider that in the case of the central 100 dwelling site example, it would be more appropriate to calculate the amount available for CIL based on a lower % land value, such as 10%. This will provide a viability cushion for the assumptions made by the Councils and is less likely to result in under delivery of housing within lower value/regeneration areas within the City.

8. Appendix 1 provides a worked example using the Councils nominal scheme of 100 dwellings in a central location (33% affordable housing), but replaces the maximum amount available for CIL with an amount based upon a 10% reduction in land value (rather than the maximum assumed acceptable reduction of 25%). The Morston worked example demonstrates that, based upon an average dwelling size of 90 sq.m, a maximum CIL rate of only £55 per dwelling can be accommodated.
9. We believe that this re-working of the Councils example for the notional 100 dwelling central site shows that, if a flat residential CIL rate is to be adopted across the inner area, then this needs to be set at a much lower level than the proposed rate of £115 per sq. m.
10. Furthermore, we believe that that by setting a residential CIL rate based upon a lower assumed acceptable reduction in land value there is less likely to be an adverse effect on housing land supply. This will also enable the development industry to acclimatise to the new CIL regime with the Councils retaining the ability to carry-out an early review of the CIL rate once its effect on housing land supply has been tested.
11. In conclusion we therefore consider that:
 - i. Further work needs to be carried out by the Councils to test what % reduction in land value will be accepted by landowners (particularly in lower value locations where a greater incentive will be required to release land from existing commercial uses for housing); and
 - ii. The residential CIL rate should be set at a level that is below the assumed maximum reduction in land value, in order to provide a viability cushion for lower value areas and ensure that planned levels of housing delivery are not put at risk over the Plan period.

Morston Assets
29 October 2012

Appendix 1

Residential CIL rate based upon a 10% reduction in land value for notional 100 dwelling central site

No. of dwellings	100
Affordable Housing	33%
Private dwellings	67
Ave density dph	40
Land price per net acre	£400,000
Land price per net ha	£988,400
@10%	£98,840
Max available for CIL	£247,100
Plus	
Assumed S106 sum incorporated in land price	
Per private dwelling	£2,000
Less residual S106 payment	
Per GNDP policy post	
introduction of CIL	<u>£750</u>
Balance available for CIL per	
private dwelling	£1,250
Private dwellings	<u>67</u>
	£83,750
Plus available per land	<u>£247,100</u>
CIL Sum	£330,850
CIL per private dwelling	£4,938
CIL per sq. m	
Ave dwelling @ 90 sq. m	£55
Ave dwelling @ 97 sq. m	£51