

Stevenage Borough Council – Community Infrastructure Levy

Post Consultation Viability Note

2nd January 2019

This brief note has been prepared by HDH Planning and Development Ltd (the authors of *Whole Plan Viability Study including Community Infrastructure Levy (CIL), September 2015* (the 2015 Viability Study) and the *Stevenage Borough Council Viability Update – CIL, December 2017* (the 2017 Viability Update). Through the consultation process a number of comments were made in relation to the strategic sites were made – particularly with regard to the strategic infrastructure and mitigation costs.

On the Northern Extension the strategic infrastructure and mitigation costs have increased to £9,211,800 (from £7,811,800). This is notably higher than the assumption used in the January 2017 Viability Update. It is therefore appropriate to consider how these increased costs impact on viability.

Concern was also raised around how the Northern Extension was modelled. This site was modelled in line with the wider evidence base, working on an density of 32/ha the site had a net area of 25ha. A net:gross ratio of 50:50 was assumed, so to give a total site area of 50ha. The site allocation area is actually 34ha in total, and a further 38ha is to be used for a meadow. A net area of 34ha gives a density a little under 23/ha. The modelling has been refreshed with an altered the net area of 34ha and a total site area of 72ha.

On the Western Extension the strategic infrastructure and mitigation costs have increased to £17,385,850 (from £15,185,850). This is notably higher than the assumption used in the January 2017 Viability Update. It is therefore appropriate to consider how these increased costs impact on viability.

It was also noted that part of the Western Extension is should be treated as brownfield as it is made up of 'land fill'. Part of the site has been filled – also it is important to note that this is not waste, rather clean arisings from the construction of the A1. It is accepted that this should be reflected in a higher contingency of 5% - as it is part brownfield. Further adjustments have not been made in this regard as the site remediation costs (which have not been detailed) are an abnormal cost so should come off the landowners return. There is a requirement for acoustic fencing, whilst an argument can be made that the cost of this should be could be treaded in the same way – but based on costs for similar works that we are aware of elsewhere this cost is treated as a s106 type cost and made an allowance of £2,000,000.

Table 10.2a of the December 2017 Viability Update set out the appraisal results showing the Residual Values compared to the Viability Thresholds. The relevant section is duplicated below:

Table 1 Residual Value compared to Viability Threshold – DECEMBER 2017					
Full Development Plan Policy Requirements (£/ha – Gross) – No CIL					
			Alternative Use Value	Viability Threshold	Residual Value
Site 1	Northern Extension	North	25,000	425,000	926,032
Site 2	Western Extension	West	25,000	425,000	773,215

Source: Table 10.2 Stevenage Borough Council Viability Update – CIL, December 2017

The appraisals have been re-run, making the changes set out above. No other changes have been made:

Table 2 Residual Value compared to Viability Threshold – JANUARY 2019					
Full Development Plan Policy Requirements (£/ha – Gross) – No CIL					
			Alternative Use Value	Viability Threshold	Residual Value
			£/ha	£/ha	£/ha
Site 1	Northern Extension	North	25,000	425,000	627,839
Site 2	Western Extension	West	25,000	425,000	706,146

Source: HDH (January 2019)

As would be expected, the Residual Values are somewhat lower (as the costs are higher), but are still well above the Viability Threshold. The Council can therefore have confidence that these sites are deliverable.

In considering the effect of CIL on viability a range of levels of CIL were tested:

- a. Table 10.4 of the 2017 Viability Update compared the Residual Values with the Viability Thresholds
- b. Table 10.5 of the 2017 Viability Update set out CIL as a proportion of the Residual Value.
- c. Table 10.4 of the 2017 Viability Update set out CIL as a proportion of the GDV.

This analysis has been updated below. The following appraisals incorporate CIL at a range of levels and are directly comparable to those in Table 10.4 of the 2017 Viability Update.

Table 3 Residual Value compared with Viability Thresholds

Affordable – Brownfield sites 25%, Greenfield sites 30% - range of CIL Contributions

			Alternative Use Value	Viability Threshold	Residual Value																							
			CIL		£0																							
Site 1	Northern Extension		25,000	425,000	627,839		£20	£30	£40	£50	£60	£70	£80	£90	£100	£110	£120	£130	£140	£150								
Site 2	Western Extension		25,000	425,000	706,146		£20	£30	£40	£50	£60	£70	£80	£90	£100	£110	£120	£130	£140	£150								
							£20	£30	£40	£50	£60	£70	£80	£90	£100	£110	£120	£130	£140	£150								
							£20	£30	£40	£50	£60	£70	£80	£90	£100	£110	£120	£130	£140	£150								
							£20	£30	£40	£50	£60	£70	£80	£90	£100	£110	£120	£130	£140	£150								

Source: HDH (January 2019)

At the recommended rate of CIL (£100/m²) that applies to these sites, the Residual Value remains well above the Viability Threshold. On the Northern Extension the 'buffer' or 'cushion' has shrunk – but is still 35%. On the Western Extension the 'buffer' or 'cushion' has shrunk – but is still 50%.

On this basis the proposed rates remain appropriate.

The following table show CIL, at a range of rates, as a percentage of the Residual Value. This analysis is directly comparable to Table 10.5 of the 2017 Viability Update.

Table 4 CIL as Percentage of Residual Value

		£0	£10	£20	£30	£40	£50	£60	£70	£80	£90	£100	£110	£120	£130	£140	£150
Site 1	Northern Extension	0.00%	1.16%	2.34%	3.54%	4.76%	6.01%	7.28%	8.58%	9.90%	11.25%	12.62%	14.02%	15.45%	16.91%	18.39%	19.91%
Site 2	Western Extension	0.00%	1.38%	2.80%	4.24%	5.71%	7.21%	8.75%	10.31%	11.91%	13.55%	15.22%	16.93%	18.68%	20.47%	22.31%	24.18%

Source: HDH (January 2019)

This analysis supports the previous findings, CIL would be less than 15% of so of the Residual Value

Plan-wide viability testing is not an exact science. The process is based on high level modelling and assumptions and development costs and assumptions. In the following tables we have set out CIL, at a range of rates, as a proportion of the Gross Development Value. This analysis is directly comparable to Table 10.6 of the 2017 Viability Update.

Table 5 CIL as Percentage of GDV

		£0	£10	£20	£30	£40	£50	£60	£70	£80	£90	£100	£110	£120	£130	£140	£150
Site 1	Northern Extension	0.00%	0.22%	0.45%	0.67%	0.89%	1.11%	1.34%	1.56%	1.78%	2.00%	2.23%	2.45%	2.67%	2.90%	3.12%	3.34%
Site 2	Western Extension	0.00%	0.22%	0.45%	0.67%	0.89%	1.11%	1.34%	1.56%	1.78%	2.00%	2.23%	2.45%	2.67%	2.90%	3.12%	3.34%

Source: HDH (January 2019)

This analysis shows that CIL would only be less than 2.5% of the Gross Development Value on almost all sites. On this basis the Council can have further confidence that development would not be put at risk.

Conclusion

Based on the above analysis the proposed rate of CIL of £100/m² remains appropriate for the Northern Extension and the Western Extension.

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