

From: Abigail Jones
Sent: 17 May 2019 16:39
To: PlanningPolicy
Cc: Colin Campbell; Garth Hanlon; Lydia Voyias
Subject: Stevenage Borough Council DCS CIL Consultation Savills Representation on behalf of Hill Residential
Importance: High

Dear Stevenage Planning Policy

Please find attached a representation submitted on behalf of Hill Residential in response to your Community Infrastructure Levy Draft Charging Schedule consultation.

Please confirm by return of email receipt of this representation.

Kind regards

Abigail

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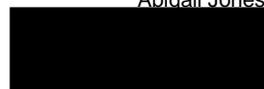
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17th May 2019
CADV427653



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Sent via email – Planningpolicy@stevenage.gov.uk

Dear Sir/ Madam

Stevenage Borough Council Draft Charging Schedule Consultation representation submitted on behalf of Hill Residential Ltd

This representation has been prepared by Savills (UK) Limited (hereafter “Savills”) on behalf of Hill Residential Ltd (hereafter “Hill”). It is made in respect of the Stevenage Borough Council (hereafter “SBC”) proposed Community Infrastructure Levy (CIL) Draft Charging Schedule (DCS) and its viability evidence base document prepared by HDH Planning & Development Ltd (hereafter “HDH”) ¹ for SBC. The Council are consulting on their PDCS between 18th April 2019 and 17th May 2019.

Background

- 1.1 This representation has been prepared by Savills on behalf of Hill Residential, a major national house-builder, with considerable expertise in delivering high quality and sustainable homes.
- 1.2 Further to Savills’ representation submitted on behalf of Hill Residential in October 2018 responding to SBC’s Preliminary Draft Charging Schedule (PDCS) consultation, Hill Residential remain concerned in respect of the proposed Draft Charging Schedule (April 2019) and the Viability evidence provided in support. The Council have provided a ‘Post consultation viability note, January 2019’² responding to comments raised within the PDCS consultation, along with a draft Regulation 123 List and Instalments Policy for consultation.

¹ Viability Update – CIL, HDH Planning & Development (December 2017)

² Post Consultation Viability Note – SBC CIL (2nd January 2019)



1.3 Following on from our PDCS representation, Hill’s interests specifically relate to the proposed residential CIL rates which remain unchanged from the previous consultation stage, as shown in **Table 1** below:

Table 1 – Proposed CIL Charging rates

Development Type	Zone 1: Stevenage Central	Zone 2: Everywhere else
Residential C3 use classes		
Market Housing	£40 / sq m	£100 / sq m
Sheltered Housing		£100 / sq m
Extracare Housing		£40 / sq m
Retail development		£60 / sq m
All other development		£0 / sq m

Source: SBC (April 2019)

Purpose

- 1.4 The purpose of this representation is to once again set out Hill’s concerns in regards to the proposed CIL rates for SBC alongside requesting that further evidence be provided in regards to the approach to the viability testing.
- 1.5 The desirability of funding from CIL is a key test of the Regulations. The purpose of CIL is to facilitate the delivery of development, including new housing to meet the key National Planning Policy Framework (NPPF)³ objective to significantly boost the supply of housing. The NPPF provides perspective on how desirable CIL funding may or may not be, in relation to the range of legal and planning mechanisms available to secure infrastructure delivery.
- 1.6 Hill would like to highlight that they are supportive of the principle that development helps to deliver needed infrastructure. The objective of this representation is therefore not to oppose CIL; it merely seeks to ensure a reasonable rate, based on the evidence, and a collective interest to deliver well planned, viable and feasible development across Stevenage Borough.
- 1.7 In submitting this representation, Hill is only commenting on particular key areas of the viability issues and approach to the proposed CIL residential rates. The lack of reference to other parts of the evidence base cannot be taken as agreement with them and Hill reserves the right to make further comments upon the evidence base at the Examination stage.

³ Communities and Local Government, National Planning Policy Framework, March 2012

- 1.8 Section 211 (7a) of the Planning Act (as amended), requires Councils to use “*appropriate available evidence*” to inform their Charging Schedules. In the case of the DCS, we have assumed the Council has relied upon the Viability Update⁴ and Whole Plan Viability Study⁵, both produced by HDH as their “*appropriate available evidence*”. A Post Consultation Viability Note⁶ was produced by SBC re-running viability modelling on two larger sites within the Borough only. We are not aware of any further viability testing undertaken by SBC in relation to the other generic and site specific typologies.
- 1.9 Hill Residential therefore are disappointed that their previous comments were not taken on board by SBC and highlight that the viability testing which has been used to inform the proposed CIL rates is now further out of date.
- 1.10 In light of our previous representation’s analysis of consistent under delivery of new homes across the Borough over the past six years (42% less than the emerging annualised housing requirement), along with only 14% of the net completions being for affordable housing, we highlight the importance of ensuring the proposed CIL rates are set at the correct level.

Legislation

- 1.11 It should be noted that this representation is made in the context of the Community Infrastructure Levy Regulations 2010 (as amended) (“the Regulations”) and relevant statutory guidance⁷. The most recent amendments to the Regulations and associated guidance came in to force on 9th February 2018. The CIL consultation will therefore be subject to the requirements of these latest set of Regulations and Guidance.

Overview

- 1.12 Savills has been asked on behalf of Hill to review the available evidence, the approach to viability testing and the PDCS Charging Schedule. The objective is therefore to ensure a reasonable rate of CIL is proposed, which allows for the policy requirements for sustainability and affordable housing, and anticipated residual Section 106/ 278 and other site specific infrastructure.

⁴ Viability Update – CIL, HDH Planning & Development (December 2017)

⁵ Whole Plan Viability study, including CIL, HDH Planning & Development (September 2015)

⁶ SBC – CIL, Post Consultation Viability Note (2nd January 2019)

⁷ April 2014 (as amended)

Regulation 123 List

- 1.13 We welcome that SBC has now produced and released a Draft Regulation 123 List (April 2019) listing those infrastructure types and projects which will be secured through CIL, not through planning obligations and S106 agreements.
- 1.14 Hill Residential do have concerns that the infrastructure types and projects are not clear, specifically the references to 'Primary school expansions' and 'Secondary schools'. We query whether Section 106 contributions may still be sought for the creation of new Primary schools and/ or Secondary school expansions. Furthermore, there is no reference to early years education provision and how this would be funded. We recommend that the wording on the Regulation 123 List is amended to 'Primary Education and Secondary Education' in order to provide complete clarity alongside confirming whether urban extensions will provide facilities to meet their needs on site or whether this is to be CIL funded.
- 1.15 The Viability Study has been undertaken including an allowance for Section 106 contributions at £2,000 per unit. There remains no evidence provided by the Council which supports this assumption. Hill are concerned that this assumption on a per unit basis is low.
- 1.16 It is fundamental that an appropriate balance is struck between funding infrastructure and ensuring the viability of schemes to ensure they are able to come forward for development. We therefore suggest that the Council carefully considers the items which will remain sought through Section 106 Agreements and those that will form their Regulation 123 List. Until this time, it is not possible for the Council to wholly understand whether their proposed rates take into account policy requirements.
- 1.17 Ultimately, there is a three way trade off with regard to CIL, Section 106 and affordable housing provision. If CIL is set too high and site specific infrastructure is necessary to bring a development forward, this often results in an adverse impact on affordable housing provision. In light of the severe historic under delivery of private housing and very low rates of affordable housing delivery, SBC cannot risk an additional burden being placed on development across the Borough.

Approach to Viability

- 1.18 Within our PDCS representation (October 2018), we reviewed the Viability Update⁸ and Whole Plan Viability⁹ undertaken by HDH and highlighted a number of concerns in regards to the approach adopted, specifically the assumptions and the viability analysis to justify the proposed increased rates.

⁸ Viability Update – CIL, HDH Planning & Development (December 2017)

⁹ Whole Plan Viability study, including CIL, HDH Planning & Development (September 2015)

1.19 In light of the viability evidence not being updated for the DCS consultation across all of the generic and site specific typologies, our concerns highlighted previously remain and are heightened by some assumptions diverging further, such as build costs. We reiterate below our concerns again in regards to some of the assumptions adopted:

- **Typologies** - In light of the status of the emerging SBC Local Plan, we highlight that there is no guarantee that schemes similar to the typologies tested will be delivered. We therefore recommend that more typologies to reflect a wider range of scenarios are tested. These should include larger residential schemes over 45 units on greenfield sites and mixed use schemes including retail and employment space, housing and flatted schemes and the testing of larger schemes over 350 units at varying densities including high rise apartment schemes.
- **Benchmark Land Values** – Hill are particularly concerned that the benchmark land values have not been updated within the Viability Update from those assumed within the 2015 study. Furthermore, there is limited evidence provided within the study to justify the benchmarks adopted. Whilst we acknowledge that sales values and land values don't directly increase in parallel due to a number of other factors, the landowner's aspirations for their land to be released for development should be accurately reflected within the prevailing market. In light of these comments, Hill are particularly concerned with HDH's statement within the Viability Update¹⁰ that *'it is important to note that the EUV of the town centre schemes are tested against the EUV of industrial land (£600,000 plus 20%). Most sites in the town centre have a more valuable existing use.'* We recommend that a review of the benchmark land values adopted is undertaken.
- **Build Costs** – We note that the build cost assumptions have been taken from BCIS for 'Estate Housing – Generally' at £1,082 per square metre which we understand is the rebased, median figure for Stevenage. We note these figures are now 12 months out of date and therefore in comparison to the median BCIS figures today for 'Estate Housing – Generally' at £1,295 per square metre, the costs are 20% lower than the market. Furthermore, it is concerning that the same build cost rate has been applied for the flatted schemes appraisals which BCIS confirms the median build cost rates to be £1,494 per square metre for 3-5 storey schemes and £1,855 per square metre for 6+ storey schemes, reflecting 38% and 71% higher rates respectively. We highlight that these build costs have increased by 1% for houses and 4% and 5% respectively for the flatted values even since our last representation (October 2018).

It should be highlighted that a number of other assumptions are linked to the BCIS cost assumption applied such as professional fees, contingences and abnormal costs (discussed

¹⁰ Page 50, December 2017

below), therefore the implications of these figures being significantly lower than market norm is heightened further.

- **Abnormal Costs** - Abnormal Development Costs within the Viability Update are considered with the redevelopment of land which was previously developed. They are applied to cover costs which might include demolition of substantial existing structures, flood prevention measures at waterside locations, remediation of any land contamination, and the remodelling of land levels. An additional allowance of 5% of BCIS costs have been included. In light of the build costs currently being significantly lower than the prevalent rate, these abnormal costs outlined also risk being accounted for at a lower rate than would be realistic.

1.20 It is fundamental that the Viability Study includes assumptions that are reflective of the market and thereby produces realistic land values. Further to this, it is inappropriate to compare the testing results to benchmark land values which aren't based on levels reflective of the market and that which landowner's are likely to release their land for development.

1.21 Hill would like to highlight again that should the Council have any concern in regards to any of the assumptions applied within the Viability Study, the proposed rates will not be based upon credible evidence and cannot be justified. We therefore advise that a thorough review of the evidence provided to justify all assumptions is undertaken.

Interpretation of Results

1.22 Hill Residential remain concerned that there has not been any further explanation provided by SBC in regards to the methodology for using the results from the Viability testing to calculate the proposed rates. We would like to further highlight the softening in the residential sales market across the region over recent months and therefore a considerable degree of caution is required in assessing values. Only time will tell whether current market conditions are a short term issues related to economic uncertainty or a longer term rebalancing.

1.23 We highlight again our observation which is applicable to the results relating to typologies similar to Hill Residential's land interests being promoted within the Borough. When comparing the results between the 2015 to the 2017 study, there are vast differences in relation to typologies 8 and 9 – Town Centre Flatted and the other Previously Developed Land typologies. Within the 2015 Viability Study, HDH specifically undertook price change sensitivity for the Town Centre Flatted schemes (typologies 8 and 9)¹¹. The results highlighted that these typologies witnessed no to marginal viability whilst delivering

¹¹ Page 117, September 2015

policy compliant affordable housing until the prices rose 30%. Hill therefore questions that in light of the increase in build and overall development costs, how these typologies within the Viability Update are indicating significantly more viability.

- 1.24 We therefore again request that additional viability appraisals are provided, with policy compliant and industry standard assumptions adopted, for a more comprehensive analysis ahead of the Examination stage of the consultation.

Differential Rates by Geography

- 1.25 Within our previous representation (October 2018), Hill Residential highlighted their concerns in regards to the charging zones that have been proposed and whether sufficient due diligence has been undertaken to justify the location of the boundaries between the two charging areas.
- 1.26 The proposed charging zones have not been altered for the DCS despite our concern raised that the map appears to simply be defined based on the Local Plan Stevenage Central Inset Map, rather than any area defined based on policy or values. Indeed the Council's Central Stevenage Framework states (2.4.7) that it is a fundamental ambition to break the dominance of the current ring road to enable the broader concept of Central Stevenage to be achieved.
- 1.27 We have compared the SBC's proposed CIL charging bands (**Figure 1**) against an updated Heatmap of values taken from Zoopla [online] (May 2019) (**Figure 2**).

Figure 1 and 2 – Comparison of SBC's Proposed Charging Bands and Zoopla's Heatmap of UK Property Values (May 2019)



Source: Stevenage DCS (April 2019)

Source: Zoopla [online] (May 2019)

- 1.28 We further highlight that the boundaries do not reflect the market values across the Borough. There are a number of areas which will be captured by the higher proposed CIL rate of £100 per square metre which are located within the lowest value areas, below capital value of £250,000. This approach is also likely to hinder the Council's objective of broadening the concept of Central Stevenage.
- 1.29 There are a number of sites which lie just outside the Zone 1 boundary which fall within the category of key town centre uses in the NPPF and which function as part of the town centre. Their existing use value will be reflected in those uses and location and therefore there is unlikely to be any significant difference in land value between those sites and the town centre. Some of those sites are suitable for, and in need of, redevelopment. However, the significant difference in CIL rates is likely to hold back their redevelopment.
- 1.30 Hill remains concerned that the Zone boundaries are incorrect and further viability testing should be undertaken to justify the rates applied to the different proposed charging zones.

Effective Operation of CIL - Instalments Policy

- 1.31 We welcome that the Council has now released a proposed Instalment Policy for consultation.
- 1.32 HDH¹² provided a range of potential instalment policies within their study document depending on the level of CIL liability. The largest CIL liability is modelled with a payment profile over six years.
- 1.33 The proposed Instalments Policy indicates that for total CIL liabilities over £500,001, full payment will be required within 2 years of the commencement date. Hill have concerns in respect of this confined timescale, which doesn't reflect HDH's financial modelling within the Viability Study.
- 1.34 Hill requests that the Council reconsiders their proposed Instalments Policy and suggests as per our previous representation that the instalments should reflect the length of the permission granted, with equal instalments due annually post commencement of development. For example, if the permission has a time limit requiring commencement within 5 years, 20% of the CIL tariff should be due annually for the 5 consecutive years post commencement. This is particularly applicable to those permissions with CIL liabilities over £500,001.

Relief

- 1.35 With regard to Exceptional Circumstances Relief we note that Stevenage have still not made clear whether they propose to make this relief available. We also note that the Council have not made clear

¹² Page 144, September 2015

how Discretionary Social Housing and Discretionary Charitable Relief for development will be available in operation.

- 1.36 As we highlighted within our PDCS representation (October 2018), we do not consider there to be any detriment arising from the Council making available such reliefs within policies as part of its Charging Schedule, as the Council will still retain control over the application of the policies. There are strict tests surrounding the availability and applicability of Exceptional Circumstances Relief. It would therefore only be applicable to those schemes that can justify the need for it and meet those strict tests.
- 1.37 We therefore suggest that the Council considers making Discretionary Social Housing, Exceptional Circumstances and Discretionary Charitable Relief available setting out clearing the eligibility criteria and operation of the reliefs from the adoption of their CIL Charging Schedule.

Conclusion

The assessment of planned development and its viability is an inherent test of the CIL Examination, making the following points significant:

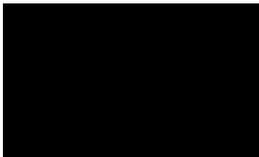
- **Incorrect assumptions** – Hill remains concerned that the viability tested has not been updated and incorrect assumptions have been modelled. These results are therefore not accurate and should not be utilised to inform CIL rates.
- **Lack of clarity** – whilst Hill welcome that SBC have released their Regulation 123 List, there is concern that the infrastructure types and projects to be funded via CIL are not clear. Furthermore, it has not been confirmed whether exceptional circumstances relief will be available.
- **Charging Zones** – The Council has proposed differential CIL rates by ‘Area’ (or geography) and has proposed two charging zone boundaries. Whilst the principle of applying differential rates is not questioned, comparing the updated house price heat map it is clear that the boundary and suggested differential CIL rates cannot be justified in terms of value areas and risks preventing some potential development sites from being viable and therefore deliverable across the plan period and is contrary to the Council’s objectives set out in the Central Stevenage Framework;
- **Risk to Housing Delivery** - Hill remain concerned that the proposed CIL rates will exacerbate the consistent under delivery of housing, including very low rates of affordable housing delivery, across the Borough and ultimately risks the delivery of the housing targets beyond 2019.

We once again would like to strongly advise that additional viability testing with updated assumptions reflecting market and industry standard levels of costs are modelled ahead of Examination. Hill have fundamental concerns in relation to the viability of their landholdings which are currently being promoted for residential development in light of the additional burden of the proposed CIL rates.

Moving forward, Hill and Savills reiterate again that they are open to a meeting with the SBC and its advisors to discuss the approach taken and to discuss common ground in advance of the Examination. Hill Residential would like to request the right to be heard by the CIL examiner and would like to request to be notified of any of the following: that the draft charging schedule has been submitted to the examiner, the publication of the recommendations of the examiner and the reasons for those recommendations and the approval of the charging schedule by the charging authority.

Yours faithfully

For and on behalf of Savills (UK) Ltd



Abigail Jones MSc (Hons) MRICS

Associate Director

cc. Garth Hanlon MRTPI, Savills
Lydia Voyias MRTPI, Savills
Colin Campbell – Hill Residential Ltd

Appendix 1 – List of Documentation

General

The Community Infrastructure Levy (Amendment) Regulations 2018 (SI 2018 No. 172)

Community Infrastructure Levy Guidance, DCLG (2014), Planning Practice Guidance Website

Community Infrastructure Levy Regulation (2010) (as amended)

National Planning Policy Framework, DCLG (March 2012)

Planning Act (2008) (as amended)

Viability Testing Local Plans – Advice for Planning Practitioners, Local Housing Delivery Group Chaired by Sir John Harman (June 2012)

Stevenage Borough Council

Stevenage Borough Council Draft Charging Schedule (April 2019)

Post Consultation Viability Note (January 2019)

Viability Update – CIL, HDH Planning & Development (December 2017)

Infrastructure Funding Gap – technical paper (July 2018)

Stevenage Borough Infrastructure Funding Strategy, AECOM (September 2015)

Infrastructure Delivery Plan (IDP), SBC (most recent version March 2017)

Whole Plan Viability Study including CIL, HDH Planning & Development (September 2017)

Draft Regulation 123 List – SBC (April 2019)

Community Infrastructure Levy – Instalment Policy, SBC (April 2019)