Warwick District Council Community Infrastructure Levy Draft Charging Schedule

Consultation Response on behalf of a Local Housebuilder & Developer Consortium

Contents

Executive Summary

This representation has been prepared by Savills (UK) Limited on behalf of a Local Housebuilder and Developer Consortium, hereafter known as 'the Consortium'. It is made in respect of the Warwick District Council (WDC) Draft Community Infrastructure Levy (CIL) Charging Schedule.

The Consortium has fundamental concerns with the rates proposed by WDC notably:

- The BLV methodology and assumptions made by BNP – the application of generic BLVs is entirely inappropriate in this case - land values are extremely location-sensitive.

- The assumptions used in the viability models require attention. Most notably, we have concerns regarding the application of sales values, enabling costs and developer's profit as well as the fact that no site typologies of between 100 and 300 units have been tested.

- The rates are not supported by the viability evidence and would have the effect of putting a significant proportion of the housing supply at risk. For example, our analysis of BNP's own viability evidence, combined with our own evidence, illustrates that the majority of strategic sites allocated within the emerging Local Plan cannot realistically support a CIL rate. It is currently anticipated by the emerging Local Plan that 3,677 homes will be delivered through strategic sites across the Plan period. This equates to 29% of the District's housing supply across Zones A, B and C (which equates to over 58% of allocated sites).

- The rates to be applied in Zone D are not reflective of housing market areas on the ground. This will likely stifle the ability to deliver allocated housing sites on the edge of existing urban settlements (where the sales values to be achieved are likely to be more akin to the adjoining urban area than more, exclusive sites in higher value villages such as Lapworth, Shrewley or Leek Wootton). The 'jump' between the rates applied in different Charging Zones (particularly to the east of Warwick where rates appear to increase from £30 - £50 per sq m in Zone A to £110-£180 per sq m in Zone D) is concerning in this regard and must be addressed at the earliest opportunity or else put at risk the delivery of housing on allocated and non-allocated sites (which account for over 50% of the District's housing supply) within Zone D.

The Statutory CIL Guidance is clear on the narrow focus of the CIL Examination process permitted by the Regulations:

"***The Examiner should establish that:***

- ***the charging authority has complied with the required procedures set out in Part 11 of the Planning Act 2008 and the CIL Regulations;***
- ***the charging authority's draft charging schedule is supported by background documents containing appropriate available evidence;***
- ***the proposed rate or rates are informed by and consistent with, the evidence on economic viability across the charging authority's area; and***
- ***evidence has been provided that shows the proposed rate (or rates) would not threaten delivery of the relevant Plan as a whole."***[1]

This representation is therefore structured in three parts to mirror these requirements. **Part 1** provides commentary on the Viability Study prepared by BNP to assess whether the Draft Charging Schedule (DCS) is supported by appropriate available evidence. **Part 2** assesses the analysis and interpretation of the Viability Study[2] results to determine whether the rates are informed by and consistent with the viability evidence. Finally, **Part 3** analyses whether the proposed CIL rates will put the overall development in Warwick at risk.

[1] Paragraph 039, Reference ID 25-039-20140612, CIL Guidance (revision date 12th June 2014)

[2] Viability Study and Addendum, BNP Paribas Real Estate, September 2013 and November 2014

1. Introduction

1.1 This representation has been prepared by Savills (UK) Limited on behalf of a Local Housebuilder and Developer Consortium comprising:

- Taylor Wimpey Plc;
- Crest Nicholson Strategic Projects;
- Spitfire Properties LLP;
- Nurton Developments Ltd; and
- Persimmon Homes Ltd.

hereafter known as 'the Consortium'.

1.2 This representation has been submitted to influence the emerging Community Infrastructure Levy (CIL) Charging Schedule proposed by Warwick District Council (WDC) and is made in respect of the Draft Charging Schedule (DCS) published for public consultation in the period March 2015 – April 2015.

1.3 The Consortium has come together owing to specific concerns with the approach proposed by WDC, notably the viability of the proposed rate for residential development. The Consortium's members have land holdings and interests across the District which will contribute to the maintenance and delivery of the housing land supply (to meet identified housing needs). The rate of CIL is therefore of critical importance to our clients.

1.4 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) objective for a significant boost in 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. There is no obligation on the Council to pursue CIL; should it do so, it should be minded that the initiative is new, and that existing tools are available to secure site specific mitigation costs.

1.5 The objective of this representation is 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 in the District. The opportunity has been taken to provide further evidence to WDC, which it is hoped is used to inform modifications to the DCS prior to submission for Examination.

1.6 In submitting this representation, the Consortium is only commenting on particular key areas of the evidence base. The lack of reference to other parts of the evidence base cannot be taken as agreement with them and the Consortium reserves the right to make further comments upon the evidence base at the Examination stage.

2. Part 1 - Is the Charging Schedule Supported by Appropriate Available Evidence?

2.1 Section 211 (7a) of the Planning Act 2008 (as amended), requires WDC to use "***appropriate available evidence***" to inform the Charging Schedule. In the case of the DCS, we have assumed that WDC has relied upon the Viability Reports produced by BNP Paribas Real Estate ("BNP") (June 2013 and November 2014) as their '*appropriate available evidence'*. We have critically examined these reports as part of this representation to determine if WDC have sufficiently met Section 211 (7a) in proposing their rates.

2.2 The fundamental premise is that to enable delivery, sites must achieve a competitive land value for the landowner and provide developers the required return on investment, otherwise development will be stifled. This is recognised by the NPPF[3] and is 'in-built' within the CIL 2010 Regulations (as amended). It is also the basis of the definition of viability within the Harman report.[4]

2.3 Owing to the key test of Regulation 14(1)[5] it is important that the viability appraisals prepared are fit for purpose. It is clear that at Examination the Charging Schedule will need to be supported by "***relevant evidence***"[6]. Within the CIL 2010 Regulations (as amended), LPAs must strike an appropriate balance and justify that balance with evidence at the Examination, showing and explaining how the rates will contribute towards the implementation of their relevant Plan.[7]

''Striking an Appropriate Balance''

2.4 WDC will be aware that Regulation 14(1) of the CIL Regulations (As Amended) sets out the key test against which the Charging Schedule is measured, which states:

"In setting rates (including differential rates) in a charging schedule, a charging authority must strike an appropriate balance between:

[3] Paragraph 174
[4] Section One
[5] CIL Regulations 2010 (as amended)
[6] Ibid. Regulation 11(1) (f) / 19(1) (e), CIL Regulations 2010 (as amended)
[7] Ibid. Paragraph 009, Reference ID 25-009-20140612, CIL Guidance (2014) (Revision Date: 12 06 2014)

a) *the desirability of funding from CIL (in whole or in part) the actual and expected estimated total cost of infrastructure required to support the development of its area, taking into account other actual and expected sources of funding; and*
b) *the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area."*

2.5 Essentially CIL must not threaten the delivery of the development plan. A point highlighted by the CLG Practice Guidance which states that this test is at the "*centre of the charge-setting process...charging authorities should be able to show and explain how their proposed levy rate (or rates) will contribute towards the implementation of their relevant plan and support development across their area. As set out in the National Planning Policy Framework in England (Paragraphs 173-177), the sites and the scale of development identified in the plan should not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened.*"[8]

2.6 A key change in the Regulations (2014 Regulation Amendments) is the onus within Regulation 14(1) regarding the balance between the funding of infrastructure from CIL and the impact on the economic viability of development across the area. The Regulation previously required the Charging Authority to "*aim to strike what appears to the Charging Authority to be an appropriate balance...*" (emphasis added), but the amendments now mean that the Charging Authority is now fundamentally required to 'strike an appropriate balance'. The onus has therefore shifted away from being a matter of opinion to a matter of fact. This should be considered by WDC further, in the context of the representations received, prior to submitting the DCS for Examination.

The BNP Paribas Real Estate (BNP) Viability Study

2.7 We have reviewed the viability study and latter addendum report prepared by BNP and note that the viability assessments are based on a series of land residual valuation scenarios that model the gross development value (GDV) achievable from different uses in different areas within the local authority area, and discounts development costs, interest costs and developer profit.

[8] Ibid. Paragraph 009, Reference ID 25-009-20140612, CIL Guidance (2014) (Revision Date: 12 06 2014)

2.8 In principle, the Consortium considers the overall methodology of seeking to determine viability on a residual valuation exercise as being appropriate. However, it disagrees with a number of the assumptions made by BNP in the Viability Study. The specific comments set out below relate to the inputs and assumptions made by BNP.

Benchmark Land Values (BLV)

2.9 The Consortium has a number of concerns relating to the BLV methodology and assumptions made by BNP. Firstly, the approach taken by BNP in assessing the BLVs is generic:

i. the four BLVs do not appear to be directly linked back to the land supply included within WDC's emerging Local Plan;

ii. there is no explanation of how these BLVs apply to each of the typologies; and

iii. we note from our previous experience of the Corby Borough Council CIL DCS consultation that BNP has used the exact same figure to benchmark the minimum greenfield residential land value (£247,000 per hectare) - land values are extremely location-sensitive and we very much disagree with land values from a generally low value area of the East Midlands (Corby) being replicated in viability appraisals for a generally higher value area of the West Midlands (Warwick).

2.10 In addition, BNP has not provided any comparable evidence of actual land values within their analysis to support these figures. Therefore Savills has undertaken its own research to provide appropriate comparable evidence. This research is informed by Savills' extensive involvement in the local residential development market which provides us with first hand knowledge of land sales, options and promotion agreements in the Warwick area.

Benchmark Land Values 3 and 4 – 'Residential Land'

2.11 Given the nature of the housing supply in Warwick District coming forward we would expect BLVs 3 (greenfield sites – Department for Communities and Local Government (CLG) high end of range) and 4 (greenfield sites – CLG low end of range) to apply to the larger typologies (i.e. Typologies 7 and 8 of the residential sites and Typologies 1 – 5 inclusive of the strategic residential sites). BNP has adopted figures of £370,000 per gross hectare (£150,000 per gross acre) for BLV3 and £247,000 per gross hectare

(£100,000 per gross acre) for BLV4 with no comparable evidence provided. Savills has therefore researched a number of option agreements and the minimum price provisions set out within these. These provide a good benchmark for minimum land value for Greenfield land and provide a more robust evidence base than the assumptions used by BNP Paribas. Savills sets out this evidence below:

- **Option A, Birmingham** – option proposed on strategic site. Minimum purchase price is to be £1,240,000 per net hectare (£500,000 per net acre).
- **Option B, West Warwickshire** – option agreed on strategic site. Minimum purchase price is to be £1,100,000 per net hectare (£450,000 per acre).
- **Option C, Kenilworth, Warwickshire –** option agreed on strategic site. Minimum purchase price is to be £741,000 per net hectare (£300,000 per net acre).
- **Option D, Priorslee, Shropshire** – option agreed on strategic site. Minimum purchase price is to be £618,000 per net hectare (£250,000 per net acre).

2.12 Site specific details remain confidential.

2.13 From the evidence above, it can be seen that in comparable markets, minimum land values tend to be agreed within a range of £546,000 - £1,240,000 per net hectare (£220,000 - £500,000 per net acre). In its Viability Study, BNP has quoted BLV4 as being £247,000 per gross hectare (£100,000 per acre). Assuming a net-to-gross ratio of 50:50, the option agreements listed above give a range of minimum gross land values of c. £310,000 - £620,000 per hectare (£110,000 - £250,000 per acre) – an average of c. £460,000 per hectare (£185,000 per acre). This is another example of where BNP has adopted a lower base land value than we consider to be appropriate to the local housing market area. It is not reflective of the levels house builders and developers are expected to pay.

2.14 Therefore, we would therefore ask that BNP adopt a <u>minimum</u> value of **£310,000 per gross hectare** (£125,000 per gross acre) for greenfield land values (BLV4) to reflect the current market for strategic residential land in Warwick and the lower value Rural areas (Charging Zone A). However, there will be sites, particularly within Leamington Spa, Kenilworth and the higher value Rural Areas of the District (Charging Zones B, C and D respectively), where BLVs are much higher and BNP should take a cautious approach to allow for greenfield BLVs to exceed £460,000 per gross hectare. Therefore, we would additionally request that BNP adopt a minimum value of **£460,000 per gross hectare** in the higher value areas of Leamington Spa, Kenilworth and the Rural higher value areas (Charging Zones B, C and D) in lieu of their existing BLV4 land value of £247,000 per gross hectare.

Sales Values

2.15 The Consortium is concerned that BNP has only referred to marketing / guide prices in their assessment of sales values, shown in the table below:

Table 1 - Sales Values

Area	Average Values £ per sq m (£s per sq ft)
Warwick and East Leamington Spa (Charging Zone A)	£2,630 (£244)
Most of Leamington Spa (Charging Zone B)	£3,398 (£316)
Kenilworth (Charging Zone C)	£3,068 (£285)
Rural areas (Higher Values) (Charging Zone D)	£3,625 (£337)
Rural areas (Lower Values) (Charging Zone A)	£2,792 (£259)

Source: BNP (2014)

2.16 Where possible, achieved net sales prices should be referred to in the first instance as these are a truer reflection of values where transactions have been undertaken. Housebuilders are adopting a myriad of different levels of discounts which will significantly affect the differential between the gross and net sales values. The BNP Viability Assessment has referred to a 5% deduction for negotiations on guide prices however we consider that this could vary greatly from development to development and would request that BNP undertake a more thorough search of achieved sales values.

2.17 Sales values will vary significantly from site to site, even within the defined Charging Zone areas proposed by BNP. For example, schemes such as the 80 dwellings at Land North of Birmingham Road which are proposed at Hatton Park are to be developed in Charging Zone D. However values in this area are more likely to be akin to the lower values currently found within Charging Zone A as this will be a development on the edge of the existing Hatton Park housing estate developed by Bovis Homes, rather than a more exclusive, small-scale development in one of the higher value villages in Charging Zone D such as Lapworth, Shrewley or Leek Wootton:

Table 2 – Achieved Second-Hand Sales Values in Charging Zone D

Settlement	Average Price Paid (3 year average)
Lapworth and Kingswood	£615,896
Shrewley	£441,972
Leek Wootton	£431,300
Hatton Park	£312,318

Source: Zoopla

2.18 We fail to see how BNP has arrived at average sales values for the higher value Rural Area. None of the new build developments referred to in BNP's Addendum Report are located within Charging Zone D. Again, we would request that a more thorough comparables search is undertaken by BNP which are reflective of local market conditions.

2.19 There is also a level of concern drawn to the fact that 4 of the 10 new build developments referred to by BNP in their Updated Addendum Report are age-restricted retirement living apartment schemes. One particular development, Audley Retirement Living's Binswood in Leamington Spa, is the conversion of the Grade II* Listed Binswood Hall into 90 apartments. As such, guide prices are cited by BNP to be an average of £447 psf as this is a prestigious development; distorting the level of sales values that could be expected for more standard construction housing in the area.

2.20 Whilst the analysis of the guide price values here might be appropriate for the CIL rate setting of similar age-restricted apartment developments, it is entirely inappropriate to have reference to them when considering the non-age restricted developments, especially when the typologies include large strategic housing sites with a high proportion of houses rather than apartments.

Sales Rate

2.21 BNP asserts that the level of sales achievable in the District is a rate of 3 private units per month for residential sites, and on the largest strategic sites it has assumed that development is undertaken by two developers with an increased sales rate of 6 private units per month:

Table 3 - Sales Rates

Type of Development	Sales Rate (Dwellings pcm)
Residential	3
Residential – Strategic (Largest)	6

Source: BNP (2014)

2.22 However, our analysis of BNP's viability model development programme tables indicates sales rates of between 1.3 – 6.6 dwellings per month for residential sites and 5 – 10 dwellings per month for strategic residential sites. This does not accord with the average sales rates purported by BNP in the text of the Viability Study. We therefore request further clarity in regard to the actual sales rate applied.

Developer's Profit

2.23 The Viability Assessment maintains that profit levels of 20% on GDV for private and 6% on GDV for affordable housing are appropriate, as shown in the table below:

Table 4 - Developer's Profit

Tenure	Profit on GDV (%)
Private Housing	20%
Affordable Housing	6%

Source: BNP (2014)

2.24 The Consortium contends that the minimum acceptable profit margin is **20% on GDV blended** across both the private and affordable dwellings. The 20% on GDV blended profit level was endorsed via the Manor appeal decision in Shinfield.[9] It has also been included in Maldon District Council's supporting viability work produced by HDH Planning & Development who are currently preparing supporting viability evidence for in excess of 20 Local Authorities.[10]

Site Typology Assumptions

2.25 The CIL Guidance states that:

*"The sampling should reflect a **selection of the different types of sites included in the relevant Plan**, and should be consistent with viability assessment undertaken as part of plan-making.*

*Charging authorities that decide to set differential rates may need to **undertake more fine-grained sampling**, on a higher proportion of total sites, to help them to estimate the boundaries for their differential rates. Fine-grained sampling is also likely to be necessary where they wish to differentiate between categories or scales of intended use.*

[9] Ref: APP/X0360/A/12/2179141, 8 January 2013

[10] Local Plan & CIL Viability Study – Post Consultation Update (November 2013)

***The focus should be in particular on strategic sites on which the relevant Plan relies and those sites (such as brownfield sites) where the impact of the levy is likely to be most significant.*”**[11] (Emphasis added)

2.26 We are pleased to see that BNP has employed the use of nine residential site and five strategic residential site typologies to assess the impact of various CIL rates on viability. However, the Consortium is concerned that no site typologies of between 100 and 300 units have been tested. Despite a number of sites allocated within the emerging Local Plan falling within this category, none have an equivalent site typology in the BNP Viability Study:

Table 5 – Sites Without Relevant Typologies

Site Ref	Site Description	Number of Dwellings	Zone	Proposed CIL Charge	Relating BNP Site Typology
HO4	Red House Farm	250	A - Non Strategic	£50	**NO EQUIVALENT TYPOLOGY**
HO1 (Part)	Land at Myton School, Myton Road	125	B - Non Strategic	£170	**NO EQUIVALENT TYPOLOGY**
HO2 (Part)	Former Sewage Works	215	B - Non Strategic	£170	**NO EQUIVALENT TYPOLOGY**
H10	Station Approach, Leamington	220	B - Non Strategic	£170	**NO EQUIVALENT TYPOLOGY**
HO9	Kenilworth School Site	250	C - Non Strategic	£120	**NO EQUIVALENT TYPOLOGY**

Source: Savills / BNP

2.27 As can be seen in the table above, sites within the bracket of 100-300 units amount to over 1,000 dwellings when combined, and if the proposed CIL rates for these sites are found to be unviable then this will prejudice a significant amount of housing from coming forward.

[11] Paragraph 019, Reference ID 25-019-20140612, CIL Guidance (2014)

2.28 We would therefore request that BNP undertakes additional site-specific strategic typologies for viability testing, incorporating the appropriate inputs and assumptions as set out above.

2.29 This could include a site such as Site HO4 Red House Farm for example where further site specific analysis of the impact on viability as a result of regeneration plans is required. Evidence provided by the Consortium at this stage indicates that this site would not be able to support the proposed rate of CIL and as such a £0 per sq m CIL rate would be appropriate to ensure delivery.

Site Preparation and Infrastructure Costs

2.30 BNP's viability appraisals for the strategic sites include a cost of £10,000 per dwelling for site preparation and infrastructure cost. Such costs are often described as "enabling" or "opening up" costs and include the cost to provide junction improvements from the existing highways network, construction of estate roads to service parcels of and the upgrade of utilities.

2.31 We would like to draw attention to the findings of the Harman Report[12] that suggests that an appropriate range would be £17,000 to £23,000 per dwelling for strategic enabling infrastructure and mains services. Such costs are in addition to external costs and therefore would not be covered within the base and external build costs included within BNP's viability appraisals. Given this range as set out in Harman, we would recommend that an average figure of £20,000 per dwelling be taken as an appropriate cost to enable infrastructure works on strategic sites.

2.32 We would therefore request that BNP re-appraises their strategic site typologies to model the appropriate cost (£20,000 per dwelling) of enabling site infrastructure.

[12] Viability Testing of Local Plans, Local Plans and Delivery Group (2014) pp. 45

3. Part 2 - Are the CIL Rates Informed by and Consistent with the Evidence?

3.1 One of the key tests at examination is whether the *"CIL rates are informed by and consistent with the evidence"*. We have reviewed the Viability Study supporting the DCS, in particular the results of the viability appraisals run by BNP. The Consortium's particular concern relates to the "nominal" rates of £30, £70, £90 and £110 per sq m for strategic sites proposed by BNP for Charging Zone A, B, C and D respectively, and included in the DCS.

BNP Viability Appraisal Results

3.2 We have reproduced the viability results for the testing of two large strategic site typologies in each of the five value areas (Strategic Typologies 4 (377 units) and 5 (1,165 units)) in Tables 6-15 below. These typologies are typical of the sites the Consortium have interest in. The typologies are tested with a policy compliant affordable housing provision (40%) and a residual Section 106 allowance of £13,143 per unit:

Table 6 – Viability Appraisal Results for 377 Unit Site in Warwick

Warwick | Private values £2653 psm

CIL amount per sq m	RLV	RLV per ha	RLV less BLV 1	RLV less BLV 2	RLV less BLV 3	RLV less BLV 4
0	-2,855,648	-132,557	-1,182,307	-632,557	-503,557	-379,557
20	-3,219,910	-149,465	-1,199,215	-649,465	-520,465	-396,465
40	-3,584,172	-166,374	-1,216,124	-666,374	-537,374	-413,374
60	-3,948,434	-183,283	-1,233,033	-683,283	-554,283	-430,283
80	-4,312,696	-200,191	-1,249,941	-700,191	-571,191	-447,191
100	-4,676,958	-217,100	-1,266,850	-717,100	-588,100	-464,100
120	-5,041,220	-234,009	-1,283,759	-734,009	-605,009	-481,009
140	-5,405,482	-250,918	-1,300,668	-750,918	-621,918	-497,918
160	-5,769,744	-267,826	-1,317,576	-767,826	-638,826	-514,826
180	-6,134,006	-284,735	-1,334,485	-784,735	-655,735	-531,735
200	-6,498,268	-301,644	-1,351,394	-801,644	-672,644	-548,644
210	-6,680,399	-310,098	-1,359,848	-810,098	-681,098	-557,098
220	-6,862,530	-318,552	-1,368,302	-818,552	-689,552	-565,552
230	-7,044,661	-327,007	-1,376,757	-827,007	-698,007	-574,007
240	-7,226,792	-335,461	-1,385,211	-835,461	-706,461	-582,461
250	-7,408,923	-343,916	-1,393,666	-843,916	-714,916	-590,916

Maximum CIL rates (per square metre)

BLV1	BLV2	BLV3	BLV4
#N/A	#N/A	#N/A	#N/A

Source: BNP Viability Assessment – Addendum Report

3.3 BNP's results show that sites of this size within Warwick (Charging Zone A) cannot support the proposed CIL rate of £30 per sq m, even with varying BLVs, and that any CIL rate other than £0 per sq m is unjustifiable by BNP's own analysis. Therefore, even on BNP's own evidence, Zone A should not be the subject of a CIL charge for residential development. The picture is very similar for other zones, where BNP has proposed a CIL charge without any justification or evidence to back up their approach. Using their own evidence we set out a series of examples with unjustified CIL charges below.

Table 7 – Viability Appraisal Results for 377 Unit Site in Leamington Spa

Leamington Spa

Private values £3428 psm

CIL amount per sq m	RLV	RLV per ha	RLV less BLV 1	RLV less BLV 2	RLV less BLV 3	RLV less BLV 4
0	7,562,024	351,022	-698,728	-148,978	-19,978	104,022
20	7,253,612	336,706	-713,044	-163,294	-34,294	89,706
40	6,937,345	322,025	-727,725	-177,975	-48,975	75,025
60	6,617,602	307,183	-742,567	-192,817	-63,817	60,183
80	6,290,975	292,021	-757,729	-207,979	-78,979	45,021
100	5,960,497	276,681	-773,069	-223,319	-94,319	29,681
120	5,624,850	261,100	-788,650	-238,900	-109,900	14,100
140	5,285,351	245,341	-804,409	-254,659	-125,659	-1,659
160	4,943,975	229,495	-820,255	-270,505	-141,505	-17,505
180	4,602,600	213,649	-836,101	-286,351	-157,351	-33,351
200	4,261,225	197,802	-851,948	-302,198	-173,198	-49,198
210	4,089,849	189,847	-859,903	-310,153	-181,153	-57,153
220	3,916,370	181,794	-867,956	-318,206	-189,206	-65,206
230	3,742,891	173,742	-876,008	-326,258	-197,258	-73,258
240	3,569,411	165,689	-884,061	-334,311	-205,311	-81,311
250	3,395,933	157,636	-892,114	-342,364	-213,364	-89,364

Maximum CIL rates (per square metre)

BLV1	BLV2	BLV3	BLV4
#N/A	#N/A	#N/A	£120

Source: BNP Viability Assessment – Addendum Report

3.4 BNP's own results also show that sites of this size within Leamington Spa (Charging Zone B) cannot support the proposed CIL rate of £90 per sq m, unless varied to BLV4. If a minimum greenfield BLV4 of £460,000 per gross hectare is applied to the viability appraisal as suggested by Savills in Part 1 of this report, this would make any CIL rate other than £0 per sq m unjustifiable by BNP's own analysis.

Table 8– Viability Appraisal Results for 1,165 Unit Site in Warwick

Warwick — Private values £2653 psm

CIL amount per sq m	RLV	RLV per ha	RLV less BLV 1	RLV less BLV 2	RLV less BLV 3	RLV less BLV 4
0	-6,565,150	-98,618	-1,148,368	-598,618	-469,618	-345,618
20	-7,580,746	-113,874	-1,163,624	-613,874	-484,874	-360,874
40	-8,596,342	-129,130	-1,178,880	-629,130	-500,130	-376,130
60	-9,611,937	-144,385	-1,194,135	-644,385	-515,385	-391,385
80	-10,627,533	-159,641	-1,209,391	-659,641	-530,641	-406,641
100	-11,643,128	-174,897	-1,224,647	-674,897	-545,897	-421,897
120	-12,658,724	-190,153	-1,239,903	-690,153	-561,153	-437,153
140	-13,674,320	-205,408	-1,255,158	-705,408	-576,408	-452,408
160	-14,689,915	-220,664	-1,270,414	-720,664	-591,664	-467,664
180	-15,705,511	-235,920	-1,285,670	-735,920	-606,920	-482,920
200	-16,721,107	-251,175	-1,300,925	-751,175	-622,175	-498,175
210	-17,228,905	-258,803	-1,308,553	-758,803	-629,803	-505,803
220	-17,736,702	-266,431	-1,316,181	-766,431	-637,431	-513,431
230	-18,244,501	-274,059	-1,323,809	-774,059	-645,059	-521,059
240	-18,752,298	-281,687	-1,331,437	-781,687	-652,687	-528,687
250	-19,260,096	-289,315	-1,339,065	-789,315	-660,315	-536,315

Maximum CIL rates (per square metre)

BLV1	BLV2	BLV3	BLV4
#N/A	#N/A	#N/A	#N/A

Source: BNP Viability Assessment – Addendum Report

3.5 BNP's own results show that strategic sites of this size within Warwick (Charging Zone A) cannot support the proposed CIL rate of £30 per sq m, even with varying BLVs, and that any CIL rate other than £0 per sq m is unjustifiable by BNP's own analysis.

Table 9 – Viability Appraisal Results for 377 Unit Site in Kenilworth

Kenilworth — Private values £3095 psm

CIL amount per sq m	RLV	RLV per ha	RLV less BLV 1	RLV less BLV 2	RLV less BLV 3	RLV less BLV 4
0	3,257,395	151,205	-898,545	-348,795	-219,795	-95,795
20	2,910,437	135,100	-914,650	-364,900	-235,900	-111,900
40	2,563,479	118,994	-930,756	-381,006	-252,006	-128,006
60	2,212,096	102,684	-947,066	-397,316	-268,316	-144,316
80	1,859,463	86,315	-963,435	-413,685	-284,685	-160,685
100	1,506,830	69,946	-979,804	-430,054	-301,054	-177,054
120	1,152,736	53,509	-996,241	-446,491	-317,491	-193,491
140	794,336	36,872	-1,012,878	-463,128	-334,128	-210,128
160	435,935	20,236	-1,029,514	-479,764	-350,764	-226,764
180	77,535	3,599	-1,046,151	-496,401	-367,401	-243,401
200	-285,459	-13,251	-1,063,001	-513,251	-384,251	-260,251
210	-467,590	-21,705	-1,071,455	-521,705	-392,705	-268,705
220	-649,721	-30,159	-1,079,909	-530,159	-401,159	-277,159
230	-831,852	-38,614	-1,088,364	-538,614	-409,614	-285,614
240	-1,013,983	-47,068	-1,096,818	-547,068	-418,068	-294,068
250	-1,196,114	-55,523	-1,105,273	-555,523	-426,523	-302,523

Maximum CIL rates (per square metre)

BLV1	BLV2	BLV3	BLV4
#N/A	#N/A	#N/A	#N/A

Source: BNP Viability Assessment – Addendum Report

3.6 BNP's own results show that strategic sites of this size within Kenilworth (Charging Zone C) cannot support the proposed CIL rate of £70 per sq m, even with varying BLVs, and that any CIL rate other than £0 per sq m is unjustifiable by BNP's own analysis.

Table 10 – Viability Appraisal Results for 377 Unit Site in Rural areas (Higher Value)

Rural areas (higher value)

Private values	£3657 psm

CIL amount per sq m	RLV	RLV per ha	RLV less BLV 1	RLV less BLV 2	RLV less BLV 3	RLV less BLV 4
0	10,277,142	477,056	-572,694	-22,944	106,056	230,056
20	9,992,143	463,826	-585,924	-36,174	92,826	216,826
40	9,702,938	450,402	-599,348	-49,598	79,402	203,402
60	9,409,357	436,774	-612,976	-63,226	65,774	189,774
80	9,114,565	423,090	-626,660	-76,910	52,090	176,090
100	8,811,931	409,042	-640,708	-90,958	38,042	162,042
120	8,508,210	394,943	-654,807	-105,057	23,943	147,943
140	8,199,138	380,597	-669,153	-119,403	9,597	133,597
160	7,885,577	366,041	-683,709	-133,959	-4,959	119,041
180	7,569,310	351,361	-698,389	-148,639	-19,639	104,361
200	7,246,301	336,367	-713,383	-163,633	-34,633	89,367
210	7,083,721	328,820	-720,930	-171,180	-42,180	81,820
220	6,920,575	321,247	-728,503	-178,753	-49,753	74,247
230	6,755,336	313,577	-736,173	-186,423	-57,423	66,577
240	6,590,098	305,906	-743,844	-194,094	-65,094	58,906
250	6,424,860	298,236	-751,514	-201,764	-72,764	51,236

Maximum CIL rates (per square metre)

BLV1	BLV2	BLV3	BLV4
#N/A	#N/A	£140	£250

Source: BNP Viability Assessment – Addendum Report

3.7 BNP's own results show that strategic sites of this size within Rural Areas (Higher Value) (Charging Zone D) cannot support the proposed CIL rate of £110 per sq m, other than at BLV 3 or 4. If a minimum greenfield BLV4 of £460,000 per gross hectare is applied to the viability appraisal as suggested by Savills in Part 1 of this report, this would make any CIL rate other than £20 per sq m unjustifiable by BNP's own analysis.

Table 11 – Viability Appraisal Results for 377 Unit Site in Rural Areas (Lower Value)

Rural areas (lower value)

Private values	£2816 psm

CIL amount per sq m	RLV	RLV per ha	RLV less BLV 1	RLV less BLV 2	RLV less BLV 3	RLV less BLV 4
0	-558,203	-25,911	-1,075,661	-525,911	-396,911	-272,911
20	-922,465	-42,820	-1,092,570	-542,820	-413,820	-289,820
40	-1,286,727	-59,729	-1,109,479	-559,729	-430,729	-306,729
60	-1,650,989	-76,637	-1,126,387	-576,637	-447,637	-323,637
80	-2,015,251	-93,546	-1,143,296	-593,546	-464,546	-340,546
100	-2,379,513	-110,455	-1,160,205	-610,455	-481,455	-357,455
120	-2,743,775	-127,364	-1,177,114	-627,364	-498,364	-374,364
140	-3,108,037	-144,272	-1,194,022	-644,272	-515,272	-391,272
160	-3,472,299	-161,181	-1,210,931	-661,181	-532,181	-408,181
180	-3,836,562	-178,090	-1,227,840	-678,090	-549,090	-425,090
200	-4,200,824	-194,998	-1,244,748	-694,998	-565,998	-441,998
210	-4,382,955	-203,453	-1,253,203	-703,453	-574,453	-450,453
220	-4,565,086	-211,907	-1,261,657	-711,907	-582,907	-458,907
230	-4,747,217	-220,362	-1,270,112	-720,362	-591,362	-467,362
240	-4,929,348	-228,816	-1,278,566	-728,816	-599,816	-475,816
250	-5,111,479	-237,270	-1,287,020	-737,270	-608,270	-484,270

Maximum CIL rates (per square metre)

BLV1	BLV2	BLV3	BLV4
#N/A	#N/A	#N/A	#N/A

Source: BNP Viability Assessment – Addendum Report

3.8 BNP's own results show that the sites in lower value Rural areas (Charging Zone A) cannot support a CIL rate, even with varying BLVs. We therefore question how a CIL rate of £30 per sq m can be justified when the supporting viability evidence clearly shows that sites in this area cannot support it.

Table 12 – Viability Appraisal Results for 1,165 Unit Site in Leamington Spa

Leamington Spa — Private values £3428 psm

CIL amount per sq m	RLV	RLV per ha	RLV less BLV 1	RLV less BLV 2	RLV less BLV 3	RLV less BLV 4
0	18,901,631	283,930	-765,820	-216,070	-87,070	36,930
20	18,221,186	273,709	-776,041	-226,291	-97,291	26,709
40	17,536,760	263,428	-786,322	-236,572	-107,572	16,428
60	16,852,334	253,147	-796,603	-246,853	-117,853	6,147
80	16,165,770	242,833	-806,917	-257,167	-128,167	-4,167
100	15,477,028	232,488	-817,262	-267,512	-138,512	-14,512
120	14,788,287	222,142	-827,608	-277,858	-148,858	-24,858
140	14,089,061	211,638	-838,112	-288,362	-159,362	-35,362
160	13,374,997	200,912	-848,838	-299,088	-170,088	-46,088
180	12,640,963	189,886	-859,864	-310,114	-181,114	-57,114
200	11,882,238	178,489	-871,261	-321,511	-192,511	-68,511
210	11,495,040	172,672	-877,078	-327,328	-198,328	-74,328
220	11,102,717	166,779	-882,971	-333,221	-204,221	-80,221
230	10,706,737	160,831	-888,919	-339,169	-210,169	-86,169
240	10,302,123	154,753	-894,997	-345,247	-216,247	-92,247
250	9,894,630	148,632	-901,118	-351,368	-222,368	-98,368

Maximum CIL rates (per square metre)

BLV1	BLV2	BLV3	BLV4
#N/A	#N/A	#N/A	£60

Source: BNP Viability Assessment – Addendum Report

3.9 BNP's own results show that strategic sites of this size within Leamington Spa (Charging Zone B) cannot support the proposed CIL rate of £90 per sq m, even with varying BLVs. If a minimum greenfield BLV4 of £460,000 per gross hectare is applied to the viability appraisal as suggested by Savills in Part 1 of this report, this would make any CIL rate other than £0 per sq m unjustifiable by BNP's own analysis.

Table 13 – Viability Appraisal Results for 1,165 Unit Site in Kenilworth

Kenilworth — Private values £3095 psm

CIL amount per sq m	RLV	RLV per ha	RLV less BLV 1	RLV less BLV 2	RLV less BLV 3	RLV less BLV 4
0	9,409,150	141,339	-908,411	-358,661	-229,661	-105,661
20	8,621,869	129,513	-920,237	-370,487	-241,487	-117,487
40	7,799,445	117,159	-932,591	-382,841	-253,841	-129,841
60	6,944,628	104,318	-945,432	-395,682	-266,682	-142,682
80	6,076,622	91,280	-958,470	-408,720	-279,720	-155,720
100	5,186,673	77,911	-971,839	-422,089	-293,089	-169,089
120	4,258,453	63,968	-985,782	-436,032	-307,032	-183,032
140	3,285,022	49,346	-1,000,404	-450,654	-321,654	-197,654
160	2,301,849	34,577	-1,015,173	-465,423	-336,423	-212,423
180	1,308,642	19,658	-1,030,092	-480,342	-351,342	-227,342
200	309,390	4,647	-1,045,103	-495,353	-366,353	-242,353
210	-193,348	-2,904	-1,052,654	-502,904	-373,904	-249,904
220	-701,146	-10,532	-1,060,282	-510,532	-381,532	-257,532
230	-1,208,944	-18,160	-1,067,910	-518,160	-389,160	-265,160
240	-1,716,741	-25,788	-1,075,538	-525,788	-396,788	-272,788
250	-2,224,540	-33,416	-1,083,166	-533,416	-404,416	-280,416

Maximum CIL rates (per square metre)

BLV1	BLV2	BLV3	BLV4
#N/A	#N/A	#N/A	#N/A

Source: BNP Viability Assessment – Addendum Report

3.10 BNP's own results show that strategic sites of this size within Kenilworth (Charging Zone C) cannot support the proposed CIL rate of £70 per sq m, even with varying BLVs, and that any CIL rate other than £0 per sq m <u>is unjustifiable by BNP's own analysis</u>.

Table 14 – Viability Appraisal Results for 1,165 Unit Site in Rural Areas (Higher Value)

Rural areas (higher value) — Private values £3657 psm

CIL amount per sq m	RLV	RLV per ha	RLV less BLV 1	RLV less BLV 2	RLV less BLV 3	RLV less BLV 4
0	25,246,067	379,233	-670,517	-120,767	8,233	132,233
20	24,574,176	369,140	-680,610	-130,860	-1,860	122,140
40	23,899,728	359,009	-690,741	-140,991	-11,991	112,009
60	23,223,727	348,854	-700,896	-151,146	-22,146	101,854
80	22,547,725	338,700	-711,050	-161,300	-32,300	91,700
100	21,870,284	328,524	-721,226	-171,476	-42,476	81,524
120	21,190,104	318,306	-731,444	-181,694	-52,694	71,306
140	20,509,925	308,089	-741,661	-191,911	-62,911	61,089
160	19,829,237	297,864	-751,886	-202,136	-73,136	50,864
180	19,144,810	287,583	-762,167	-212,417	-83,417	40,583
200	18,460,384	277,302	-772,448	-222,698	-93,698	30,302
210	18,118,172	272,161	-777,589	-227,839	-98,839	25,161
220	17,775,958	267,021	-782,729	-232,979	-103,979	20,021
230	17,431,393	261,845	-787,905	-238,155	-109,155	14,845
240	17,083,110	256,613	-793,137	-243,387	-114,387	9,613
250	16,734,826	251,382	-798,368	-248,618	-119,618	4,382

Maximum CIL rates (per square metre)

BLV1	BLV2	BLV3	BLV4
#N/A	#N/A	£0	£250

Source: BNP Viability Assessment – Addendum Report

3.11 BNP's own results show that strategic sites of this size within Rural Areas (Higher Value) (Charging Zone D) cannot support the proposed CIL rate of £110 per sq m, other than at the low value purported to be BLV4 by BNP. If a minimum greenfield BLV4 of £460,000 per gross hectare is applied to the viability appraisal as suggested by Savills in Part 1 of this report, this would make any CIL rate other than £0 per sq m <u>unjustifiable by BNP's own analysis</u>.

Table 15 – Viability Appraisal Results for 1,165 Unit Site in Rural Areas (Lower Value)

Rural areas (lower value) — Private values £2816 psm

CIL amount per sq m	RLV	RLV per ha	RLV less BLV 1	RLV less BLV 2	RLV less BLV 3	RLV less BLV 4
0	-265,543	-3,989	-1,053,739	-503,989	-374,989	-250,989
20	-1,281,139	-19,245	-1,068,995	-519,245	-390,245	-266,245
40	-2,296,734	-34,500	-1,084,250	-534,500	-405,500	-281,500
60	-3,312,330	-49,756	-1,099,506	-549,756	-420,756	-296,756
80	-4,327,926	-65,012	-1,114,762	-565,012	-436,012	-312,012
100	-5,343,521	-80,267	-1,130,017	-580,267	-451,267	-327,267
120	-6,359,117	-95,523	-1,145,273	-595,523	-466,523	-342,523
140	-7,374,713	-110,779	-1,160,529	-610,779	-481,779	-357,779
160	-8,390,308	-126,035	-1,175,785	-626,035	-497,035	-373,035
180	-9,405,904	-141,290	-1,191,040	-641,290	-512,290	-388,290
200	-10,421,500	-156,546	-1,206,296	-656,546	-527,546	-403,546
210	-10,929,298	-164,174	-1,213,924	-664,174	-535,174	-411,174
220	-11,437,095	-171,802	-1,221,552	-671,802	-542,802	-418,802
230	-11,944,893	-179,430	-1,229,180	-679,430	-550,430	-426,430
240	-12,452,691	-187,058	-1,236,808	-687,058	-558,058	-434,058
250	-12,960,489	-194,685	-1,244,435	-694,685	-565,685	-441,685

Maximum CIL rates (per square metre)

BLV1	BLV2	BLV3	BLV4
#N/A	#N/A	#N/A	#N/A

Source: BNP Viability Assessment – Addendum Report

3.12 BNP's own results show that the sites in lower value Rural areas (Charging Zone A) cannot support a CIL rate, even with varying BLVs. We therefore question how a CIL rate of £30 per sq m can be justified when the supporting viability evidence clearly shows that sites in this area cannot support it.

Savills Alternative Viability Appraisals

3.13 Given the concerns set out in Parts 1 and 2 of this report, we have produced a set of alternative viability appraisals in order to demonstrate the impact of the underestimation of costs on the capacity on the calculation of the strategic CIL rates within Zone B (Leamington Spa) where BNP's viability appraisals are showing that there is a surplus that could be used for CIL (as demonstrated, many of BNP's appraisals show various CIL rates to be unviable in different Charging Zones).

3.14 For the purpose of reaching a consensus on an appropriate residential CIL rate, and to enable the Examiner to make direct comparisons between our evidence and that of the Councils, we have focused on two key inputs which the Consortium feel are most important to model correctly:

1) **Developer's Profit; and**
2) **Enabling/Infrastructure Costs.**

3.15 In doing so, we have examined the impact of each of these points on the ability of a 377 unit strategic site within Leamington Spa to support a CIL rate against the hypothetical typology. For simplicity, using the same assumptions BNP has used for the smaller strategic typology (377 units), we have prepared a base appraisal and then subsequent variations based on alternative assumptions as set out in **Table 16** below.

Table 16 – Alternative Viability Appraisal Assumptions

A	Base Appraisal	As set out within the Viability Assessment	We have prepared our base appraisal to reflect those assumption within that of BNP's
B	Developer's Profit	Private – 20% on GDV Affordable – 6% on GDV	20% on GDV
C	Site Infrastructure/Enabling Costs	£10,000 per dwelling	£20,000 per unit (Harman Report average)
D	Combined	As above	Incorporating A-E

Source: Savills

3.16 We should highlight that as the BNP viability appraisals for this specific scheme have not been provided, we have been unable to determine how they have arrived at their residual land values. However, using ARGUS Developer appraisal software and adopting the above assumptions and those contained within the BNP Viability Study, we have prepared our own base appraisal to emulate as closely as possible their approach. As such, our baseline residual land value differs to that of BNP as can be seen below:

Table 17 – Base Appraisal Residual Land Value

RLV		**£4,190,260**
Less site value	*£5,320,380*	
Capacity for CIL		*-£1,130,120*
Private GIA	*245,699*	
Max. CIL Rate (£psm)		**£0**

Source: Savills

3.17 This residual land value forms our baseline position and is used for comparison purposes for the alternative assumptions as follows:

Table 18 – Alternative Viability Appraisal Results

A	Base Appraisal	£4,190,260	-
B	Developer's Profit	£2,552,618	-39%
C	Site Preparation and Infrastructure Costs	£807,642	-81%
D	Combined	-£830,000	-120%

Source: Savills (see ***Appendices*** *for copies of the ARGUS Developer Appraisals)*

3.18 The results above highlight the impact that individual inappropriate assumptions can have on the residual land value. When all of these assumptions are combined, in appraisal D, the cumulative impact is significant and will render delivery of such a site difficult given that the RLV is negative and obviously well below the BNP BLV4 of £5,320,380. In addition, as discussed in **Part 1** of this report, we consider that this BLV4 (which equates to £247,000 per ha) is well below the value that land is traded on in the market and should be adjusted to £460,000 per gross ha. As such, the current proposed rate of CIL for strategic sites in Zone B (such as this typology of 377 units) of £90 per sq m is unviable and we recommend that this is adjusted to £0.

3.19 We consider this outcome will be replicated through the testing of other similar scenarios and as such should be addressed by BNP the earliest opportunity to ensure the impact of CIL has not been underestimated across the District.

Summary

3.20 The above findings are extremely concerning and goes against not only the principles of development viability, but also the CIL Regulations and Guidance, which clearly states that LPAs have a positive duty to show that their CIL rates are appropriate: *"A charging authority must use 'appropriate available evidence' to inform their draft charging schedule...Charging authorities need to demonstrate that their proposed levy rate or rates are informed by 'appropriate available' evidence and consistent with that evidence across their areas as a whole'*. We consider that by using BNP's own evidence, the Inspector should find sufficiently compelling conclusions to dismiss several of the proposed CIL rates on the basis that they are unviable at the level proposed by BNP.

3.21 This was a point raised and supported by the Trafford Metropolitan Borough Council CIL Examination, where the evidence supporting the CIL rate for apartments showed that in the moderate and lower value bands (with a proposed CIL rate of £10/m2 in each case) sites were unviable. The Examiner discussed this point and commented: "*This base rate debate, concerning employment development types [albeit equally applicable in this instance to apartments in moderate and low value areas as noted above], raises important issues about the CIL charging concept and about the process of Examination. I have weighed these issues carefully*."

3.22 He also went on to say: "*I must give greater weight [than to the need to spread the burden of infrastructure] to the fact that CIL examination is an evidence based process and charges cannot, in my view, be imposed where the Council's own evidence base indicates that developments are not viable.*" (emphasis added). The Examiner therefore concluded these £10/m2 rates be reduced to £0/m2 and highlighted the importance of Paragraph 8 of the CIL Guidance (2013), which says that CIL should have a *'positive economic effect'*.

3.23 It was also a point raised and supported by the Dudley Metropolitan Borough Council CIL Examination Report (16 March 2015). This highlighted that, in many areas, residential development is not viable (with or without affordable housing). Nevertheless, in a significant number of these areas a charge of £20 per sq m was proposed.

3.24 In respect of this issue, the Examiner stated:

"I accept that a charge of £20 psm would only represent a small percentage of development costs. Nevertheless, the charging schedule indicates that this would result in an average charge of £1,760 per dwelling. [...] <u>Consequently, in these postcodes, there is a significant risk that imposing this charge would make marginal developments unviable and unviable developments even more unviable. This would be likely to threaten the delivery of housing across a significant part of the local authority area, both as things stand now and if economic circumstances were to improve.</u>

[...]

"The Planning Practice Guidance states that there is no requirement for a proposed rate to exactly mirror the evidence. However, it also advises that the proposed rates should be informed by and consistent with the evidence on economic viability across the charging area, that it may not be appropriate to set a charge right at the margins of viability and that, where viability is low, very low or zero, the charging authority should consider setting a low or zero rate in that area. <u>The proposed CIL charges in these postcode areas are not consistent with this guidance.</u>

Given the large number of postcodes, and the amount of development within them which could be affected, <u>the rates proposed would fail to strike an appropriate balance between the desirability of funding infrastructure from CIL and the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across the LPA area. In this context, the PPG advises that the rates should ensure that the viability of the sites and the scale of development in</u>

the relevant Plan is not threatened.

Consequently, a nil rate should be set in all postcode areas where a charge of £20 is proposed but a deficit is shown in the combined average columns in Table 6.2 of the Viability Assessment. [...].

In addition, there are two postcode areas where a charge of £20 would fail to leave an adequate viability margin. The charges in these areas should also be nil".

Paragraphs 29-34 - Dudley Metropolitan Borough Council - Draft CIL Charging Schedule, Examiners Report - March 2015 (Emphasis added)

4. Part 3 - Will the Rates put the Overall Development in Warwick at Risk?

Housing Targets

4.1 We have assessed the housing supply identified for the plan period (2011 - 2029) as set out in the Warwick District Local Plan Publication Draft[13] and have applied this to the proposed charging zones set out within the DCS:

Table 19 Housing Supply Analysis

Zone	Proposed Charge - Warwick DCS	Number of Homes	% of Allocated Sites	% of Housing Requirement
Zone A – Strategic	£30	300	4.75%	2.33%
Zone A - Non Strategic	£50	685	10.84%	5.33%
Zone B – Strategic	£90	2,617	41.41%	20.35%
Zone B - Non Strategic	£170	970	15.35%	7.54%
Zone C – Strategic	£70	760	12.03%	5.91%
Zone C - Non Strategic	£120	473	7.49%	3.68%
Zone D - Non Strategic	£180	514	8.13%	4.00%
TOTAL	-	**6,319**	**100.00%**	**49.14%**

**Sites highlighted in red are considered to be at risk*

4.2 This analysis reveals the following:

[13] January 2015

- Approximately 20% of the District's housing supply (which equates to over 40% of allocated sites) falls within the Zone B – Strategic Charging Schedule Area where the proposed Levy is £90 per sq m. As discussed in **Part 2** above, BNP's own appraisals indicate that strategic sites in this area would be unviable. In particular, and referring to the Site Type 5 analysis, it is notable that sites are only considered viable in the Leamington Spa area where a £60 per sq m charge is applicable (this is notwithstanding our observations regarding BLVs). There is subsequently a high risk that the proposed rate for Zone B Strategic Sites will render a significant proportion of the housing supply unviable (41.41% of allocated sites equating to 20.35% of the total housing supply).

- Over 15% of allocated sites (equating to 970 homes) fall within the Zone B Non-Strategic Charging Schedule Area where the proposed Levy is £170 per sq m. This rate is concerning not least because, of the allocated sites that fall within this Zone, 3 have not been properly tested (BNP has not tested between 100 and 300 dwellings – see **Part 1** above). A further 3 are showing as unviable. There is subsequently a high risk that the proposed rate for Zone B Non-Strategic Sites will render a large proportion of the housing supply unviable (15.35% of allocated sites equating to 7.54% of the total housing supply).

Table 20

Site Ref	Site Description	Number of Dwellings	Proposed CIL Charge	Viable?
HO1 (Part)	Land at Myton School, Myton Road	125	£170	No Equivalent Typology
HO2 (Part)	Former Sewage Works South of Harbury Lane	215	£170	No Equivalent Typology
H10	Station Approach, Leamington	220	£170	No Equivalent Typology
H14	Riverside House	100	£170	No
H15	Leamington Fire Station	60	£170	No – Only if Greenfield
H23	Bishops Tachbrook - Land South of the School	150	£170	No

Site Ref	Site Description	Number of Dwellings	Proposed CIL Charge	Viable?
H25	Cubbington - Allotment Land, Rugby Road	35	£170	Viable – Unless BLV1
H26	Cubbington - Opposite Willow Sheet Meadow	65	£170	Viable – Unless BLV1

- Over 500 sites are allocated within the Zone D – Non-Strategic Charging Schedule Area where the proposed Levy is £180 per sq m. This includes sites such as Hampton Magna (Emerging Local Plan Ref H27) and Hatton Park (Ref H28) which in effect form a small extensions to existing villages and relates to areas which have significantly lower sales values than areas such as Lapworth, Shrewley or Leek Wootton (particularly in the case of Hampton Magna - see **Part 1**). The blanket approach to the rate in this Zone is ill-advised and not reflective of housing market areas on the ground. Moreover, this will likely stifle the ability to deliver of windfall housing sites on the edge of existing urban settlements (where the sales values to be achieved are likely to be more akin to the adjoining urban area than more, exclusive sites in higher value villages such as Lapworth, Shrewley or Leek Wootton). The 'jump' between the rates applied in different Charging Zones (particularly to the east of Warwick where rates appear to increase from £30 - £50 per sq m in Zone A to £110-£180 per sq m IN Zone D) is concerning in this regard and must be addressed at the earliest opportunity or else put at risk the delivery of housing on non-allocated sites (which account for over 50% of the District's housing supply).

- Allied to the above point, over 50% of the District's housing requirement is anticipated to be delivered on as yet unallocated sites. Based upon the evidence put forward by Savills, as well as BNP's own evidence, there are large areas of the District that are not in a position to support CIL and as such would be rendered unviable following the adoption of the current proposed CIL rates. This casts a significant shadow on the District being able to meet its housing requirement across the emerging Plan period.

Reliance on Affordable Housing Negotiation

4.3 We note with interest BNP's observations in regard to the appropriate CIL rates for strategic sites. In particular its observations in regard to affordable housing:

"When tested against benchmark land value 3 and 4, all five strategic sites are unviable at policy levels of affordable housing. When affordable housing is provided at 10% of units, CIL starts to become viable.

[...]

Requiring anything but a modest level of CIL (e.g. £20 per sq m) on these sites is likely to reduce opportunities for securing a reasonable amount of affordable housing contribution from major sites adjacent to Warwick.

[...]

Strategic sites adjacent to Leamington Spa appear to be reasonably viable and able to accommodate CIL contributions as well as affordable housing close to the policy target"

Paragraphs 6.22 – 6.26 – BNP Viability Study (June 2013) (Emphasis added)

4.4 Contrary to what is assumed by BNP, it is absolutely vital that proper consideration be given to the likely percentage of affordable housing that will be sought by the relevant Charging Authority when seeking to set the appropriate Levy rates in an area. In the case of WDC, it is prudent to note that in recent years, most, if not all qualifying Planning Permissions for residential development in the District have been required to deliver at least 40% affordable housing. The evidence to support this notion is compelling:

Table 21: Affordable Housing Requirements – WDC (HG TO FINALISE)

Planning Application Reference	Address	Decision	No. of Units	% Affordable
W/14/0322	Land East of Radford Semele,North of Southam Road, Radford Semele, Leamington Spa, CV31 1TP	06/06/2014	60	40%

Planning Application Reference	Address	Decision	No. of Units	% Affordable
W/14/0661	Lower Heathcote Farm (East of Europa Way), Harbury Lane, Heathcote, Warwick, CV34 6SL	19/09/2014	785	40%
W13/0607	Land North of Harbury Lane Heathcote, Warwick, CV34 6TB	02/08/2013	220	40%
W13/1207	Land at Woodside Farm, Harbury Lane, Bishops Tachbrook, Leamington Spa, CV33 9QA	21/11/2013	280	40%
W14/0023	Harbury Gardens, Harbury Lane, Leamington Spa, Warwickshire	29/05/2014	200	40%
W13/0858	Golf Lane, Whitnash, Leamington Spa	24/09/2013	111	40%
W/14/0689	Land north of, Oakley Wood Road, Bishop's Tachbrook, CV33	22/08/2014	150	40%
W/14/0435	Land at Cape Road, The Cape, Warwick, CV34 5DS	06/06/2014	30	40%
W14/0693	Land West of Wellesbourne Road, Barford	Subject to S106	60	40%
W14/0905	Land at Tachbrook Road	Subject to S106	81	40%

4.5 The evidence above supports the notion that WDC is unwavering in respect of its 40% affordable housing target. It therefore must follow that the rates of CIL in the District take proper account of this to ensure that sites are deliverable. BNP's analysis would suggest that affordable housing can be reviewed on a case by case basis and thus CIL can be set at a higher rate because of this. As evidenced above and in the case of WDC in particular, it cannot be assumed that there is room to negotiate on the level of affordable housing.

Site Typologies

4.6 As highlighted in **Part 1** and in the above text, we have also assessed the extent to which BNP's viability appraisals and associated typologies reflect the type of housing that is anticipated to come forward in the District both within emerging Plan as allocations and as windfall (based on our own and the Consortium's understanding of the local housing market). This reveals that there are at least 5 sites allocated within the emerging Local Plan (delivering over 1,000 homes) which are expected to deliver between 100 and 300 homes. This site typology has not been tested by BNP which is of concern because in addition to allocated sites, we anticipate that a large proportion of the District's windfall will be delivered through sites between 100 and 300 homes. This observation is significant as the District expects to deliver over half of its housing supply on currently non-allocated sites. Without this typology being tested, there is a question mark over the viability of these sites in the District and the extent to which CIL would put overall residential development in Warwick at risk.

5. Conclusions

5.1 This Representation has been prepared by Savills (UK) Limited on behalf of a Local Housebuilder and Developer Consortium. As set out at the start of these representations there are three key tests at Examination:

- that ***"the charging authority's Charging Schedule is supported by background documents containing appropriate available evidence"***;
- that ***"the proposed rate or rates are informed by and consistent with, the evidence on economic viability across the charging authority's areas"***; and
- that ***"evidence has been provided that shows the proposed rate would not put at serious risk overall development of the area"***.

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

- The Consortium has a number of concerns relating to the BLV methodology and assumptions made by BNP – the application of generic BLVs is entirely inappropriate in this case - land values are extremely location-sensitive.
- The Consortium has concerns relating to a number of the assumptions used in the viability models which require attention. Most notably, we have concerns regarding the application of sales values, enabling costs and developer's profit as well as the fact that no site typologies of between 100 and 300 units have been tested.
- The rates are not supported by the viability evidence and would have the effect of putting a significant proportion of the housing supply at risk. For example, our analysis of BNP's own viability evidence, combined with our own evidence, illustrates that the majority of strategic sites allocated within the emerging Local Plan cannot realistically support a CIL rate. It is currently anticipated by the emerging Local Plan that 3,677 homes will be delivered through strategic sites across the Plan period. This equates to 29% of the District's housing supply (which equates to over 58% of allocated sites).

- The Consortium is concerned that the rates to be applied in Zone D are not reflective of housing market areas on the ground. This will likely stifle the ability to deliver of allocated housing sites on the edge of existing urban settlements (where the sales values to be achieved are likely to be more akin to the adjoining urban area than more, exclusive sites in higher value villages such as Lapworth, Shrewley or Leek Wootton). The 'jump' between the rates applied in different Charging Zones (particularly to the east of Warwick where rates appear to increase from £30 - £50 per sq m in Zone A to £110-£180 per sq m in Zone D) is concerning in this regard and must be addressed at the earliest opportunity or else put at risk the delivery of housing on allocated and non-allocated sites (which account for over 50% of the District's housing supply) within Zone D.

5.3 In light of the above, Savills and the Consortium would recommend that WDC consider the following:

- removing the "nominal" rates for strategic housing sites and replacing them with a £0 per sq m CIL rate;
- reviewing the rates for non-strategic sites in light of our comments in respect of appropriate, locally relevant BLVs as well as our concerns regarding the assumptions made by BNP in regard to developer's profit, sales values and site typologies – in relation to site typologies, evidence from the Consortium would suggest that sites between 100 and 300 (including Red House Farm which is allocated for 250 homes – Zone A) would not be able to support a rate of CIL and as such should be replaced with a £0 per sqm CIL rate;
- consider whether it would be appropriate to apply 'buffer zones' to the urban areas and villages around Warwick, Leamington Spa and Kenilworth to ensure that any future allocations of land for development, including any amendment to the development boundaries that occurs as a result of future site allocations are covered by rates applicable to urban areas - this is something that has been successfully applied by Shropshire Council.

5.4 The Consortium feel it necessary to stress that if the CIL level is set too high, it will almost certainly have a negative impact on a large proportion of development coming forward, especially bearing in mind the reliance on the proposed strategic allocations for growth and the District's unwavering approach to the application of affordable housing targets. The Consortium believe that once the assumptions – as mentioned above – have been clarified, it will show the proposed CIL levels need reviewing.

5.5 As discussed throughout this submission, the Consortium do not believe that the supporting evidence has shown that the proposed CIL rates will not put at risk the delivery of the relevant Plan; rather to the contrary. The viability reports produced by BNP showed that the majority of planned residential development is unviable if CIL is charged at the rates proposed.

5.6 Moving forward, the Consortium is open to a meeting with WDC and its advisors to discuss the approach taken and to discuss common ground in advance of the Examination. To this end, the Consortium would like to reserve the right to be heard at Examination and to be notified when:

- the DCS is submitted to the Examiner in accordance with Section 212 of the PA 2008;
- the recommendations of the Examiner and the reasons for these recommendations are published; and
- the Charging Schedule is approved by the charging authority.