

Community Infrastructure Levy Draft Charging Schedule Consultation Response Form

DCS29



MALDON DISTRICT
COUNCIL

The Community Infrastructure Levy (CIL) is a mechanism that local authorities can use to raise funds from new development to provide infrastructure. The proposed rates that developers would be required to pay are outlined in the Maldon District Draft Charging Schedule. This is the second consultation on the Maldon District CIL Charging Schedule, as required under Regulation 16 of the CIL Regulations 2010 (as amended).

Comments should be made by completing this questionnaire and returning it to the Council
by email to policy@maldon.gov.uk or
by post to Planning Policy, Maldon District Council, Princes Road, Maldon, Essex CM9 5DL.

All responses must be received by 5pm Wednesday 23 July 2014 (late or anonymous responses may not be considered).

Please Note: All information submitted during the Draft Charging Schedule consultation will be published on the Council's website and submitted to the Secretary of State for Examination-in-Public; by submitting representations on the Maldon District Draft Charging Schedule you confirm that you agree to this.

Personal Details

Title Mrs First Name Zoe Last Name Stiles
Organisation (where applicable) Pioneer Property Services Ltd
Job Title (where applicable) Development and Research Manager
Address Unit 4 - 5 Evans Business Centre, Hampton Park West
Melksham, Wiltshire Postcode SN12 6LH
Email zstiles@pioneerps.co.uk

Client Details (if applicable)

Title _____ First Name _____ Last Name _____
Organisation (where applicable) COMMERCIAL ESTATES GROUP AND DARTMOUTH PARK ESTATES
Job Title (where applicable) _____

Future Notification / Attendance at Examination-in-Public Hearings

Would you like to be added to the Community Infrastructure Levy **mailing list** to receive updates?

(delete as appropriate and ensure your details have been entered clearly above)

Yes / ~~No~~

Do you consider it necessary to **attend and give evidence at the Examination in Public?**

Please note that by selecting **no** you are clarifying that you wish to communicate through written representations only.

(delete as appropriate)

Yes / ~~No~~

Your Views

Maldon District Council would like your views on the Draft Charging Schedule and in particular the following areas:

- The proposed rates set out in the Draft Charging Schedule (Annex A of the consultation document);
- The inclusion of the proposed Draft Discretionary Relief Policy (Annex B of the consultation document); and
- The inclusion of the proposed Draft Instalments Policy (Annex C of the consultation document).

Please provide your comments in the space below; which will expand to fit your comment. Any supplementary sheets or information are welcome, please label them suitably.

Please see the attached 'Infrastructure and Viability Evidence Base Review Update' report and read in conjunction with the Infrastructure and Viability Evidence Base Review and representations prepared by Pioneer and submitted on behalf of Commercial Estates Group in response to the March 2014 CIL draft Charging Schedule consultation event.

In summary the attached report concludes:

Significant concerns have been raised by the Local Plan Inspector regarding the timing and impact on viability of the level of infrastructure sought by the local authority, particularly with regards to the impact upon the deliverability of the South Maldon Garden Suburb. Imposing an additional CIL burden upon the South Maldon Garden Suburb will add to the viability concerns associated with the burdens already proposed by the Council.

An overlap remains in the 2014 IDP Update between CIL and section 106 obligations that fall within the same categories of infrastructure despite advice on this matter in the NPPG, and a level of uncertainty remains regarding the actual level and timing of contributions sought by the Council (as noted by the Local Plan Inspector). In respect of the South Maldon Garden Suburb Commercial Estates Group and Dartmouth Park Estates would welcome the opportunity to enter into immediate discussions with the Council in respect of the concerns raised in these and the Local Plan representations to ensure that these issues can be resolved to enable the timely delivery of homes and infrastructure through the South Maldon Garden Suburb.

The key concerns are as follows:

- The May 2014 VS continues to apply the same assumptions as those applied within the VS despite concerns raised in the March 2013 Pioneer representations, and the lack of updated modelling is noted by the Local Plan Inspector. Despite significant concerns raised within the March 2013 Pioneer representations in respect of the land value viability thresholds applied to the South Maldon Garden Suburb these remain set at £330k per hectare in the Council's evidence base (VOA data suggests that permitted residential land values are likely to significantly exceed this and Commercial Estates Group and Dartmouth Park Estates consider a £330k threshold to be insufficient as does independent valuation advice).
- The May 2014 VS provides only limited sensitivity modelling. As discussed by Commercial Estates Group with the Council, additional sensitivity testing is necessary to ensure that the policy requirements and CIL approaches applied to the South Maldon Garden Suburb do not fetter / stall the delivery of this large area of housing land. Sensitivity analysis has therefore been undertaken by Pioneer on behalf of Commercial Estates Group using the model applied by the May 2014 VS author to assist the Council with finalising a Plan policy and CIL approach that realistically reflects the scale of obligations and CIL that the South Maldon Garden Suburb can bear whilst remaining deliverable.

This sensitivity analysis suggests that having regard to current values suggested by independent valuation advice, a 20 to 25% level of affordable housing (on a numerical basis) at nil CIL, whilst still generating an insufficient residual land value compared to the VS £330k per hectare threshold where adjusted values / costs are assumed, is likely to represent a more appropriate affordable housing target and CIL assumption for the South Maldon Garden Suburb.

- The emerging Local Plan should be modified in respect of the South Maldon Garden Suburb to apply a 25% affordable housing target (subject to site specific viability) alongside a modification to the emerging CIL draft Charging Schedule reducing the CIL requirement to nil on the South Maldon Garden Suburb.

This proposed 25% affordable housing target remains ambitious for the South Maldon Garden Suburb, but alongside a nil CIL charge and, if necessary, other appropriate reductions to other s106 burdens, this target can be applied flexibly 'subject to viability' and allows for improved revenues during the Plan period, thus future proofing Plan policy.

The above aligns with the approach taken by the Council to housing delivery on the North Heybridge Garden Suburb, and, as such, does not represent a significant modification in terms of the proposed Local Plan policy in relation to Garden Suburb strategic housing land allocations.

It is essential that the South Maldon Garden Suburb is similarly facilitated through the application of a reduced affordable housing target, a nil CIL charge, and, if necessary, a reduction in other proposed planning policy burdens to only those that are necessary to mitigate the impacts of its development (and in accordance with CIL Regulation 122 and the NPPF).

The amendments are necessary to facilitate the delivery of the South Maldon Garden Suburb (which plays a key role in the Council's planned housing land supply) in line with proposed Local Plan timescales.

Maldon District Council

**Infrastructure and
Viability Evidence Base
Review Update**

**Prepared by:
Pioneer Property Services Ltd**

**On behalf of:
Commercial Estates Group and
Dartmouth Park Estates**

23rd July 2014



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1. INTRODUCTION

- 1.1 This report has been prepared by Pioneer on behalf of Commercial Estates Group and Dartmouth Park Estates (“CEG / DPE”) (the promoters of the two largest sites within the proposed South Maldon Garden Suburb) to review the infrastructure and viability evidence base informing the Maldon District Council (“the Council”) draft Community Infrastructure Levy (“CIL”) Charging Schedule published in June 2014.
- 1.2 The following section of this report reviews the approach taken in the Council’s Infrastructure Delivery Plan Update (May 2014) and the May 2014 Update to the Local Plan and CIL Development Viability Study (“May 2014 VS”), and the final section draws conclusions.
- 1.3 This report should be read in conjunction with the Infrastructure and Viability Evidence Base Review and representations prepared by Pioneer and submitted on behalf of Commercial Estates Group in response to the March 2014 CIL draft Charging Schedule consultation event (March 2013 Pioneer representations).

2. LOCAL AUTHORITY EVIDENCE BASE

2.1 Local Plan Inspector Concerns

- 2.1.1 The Local Plan Inspector has provided the Council with a letter¹ setting out 'Key Concerns' to which a response is sought from the Council prior to an Exploratory Meeting scheduled to be held on the 3rd of July 2014.
- 2.1.2 The Inspector has expressed significant concerns regarding assumptions within the Council's evidence base in respect of the timing of infrastructure delivery and how this will impact on viability and overall housing delivery, particularly on the Garden Suburbs. This is set within the context of an acknowledged 1.8 year housing land supply, with the future 5 year land supply dependent upon the deliverability of the Plan's housing land allocations.
- 2.1.3 The Inspector sets out clear concerns in paragraph 35 regarding the viability of the Plan's housing allocations given the burdens placed upon them, and notes the Council's acknowledgement that further modifications to the Local Plan may be necessary including in respect of the contribution burden placed upon South Maldon.
- 2.1.4 Significant concerns are also raised regarding the Council's reliance upon an outdated 2010 SNPP household projection to inform the 294 per annum housing delivery target. The 2014 SHMA suggesting a requirement for significantly greater housing numbers (381 per annum) is referred to by the Inspector as providing a more appropriate source.
- 2.1.5 In view of the above it is clear that imposing an additional CIL burden upon the South Maldon Garden Suburb will add to the viability concerns associated with the burdens already proposed by the Council in respect of this housing land allocation.
- 2.1.6 This is acknowledged by the Council in respect of the North Heybridge Garden Suburb where a nil CIL and 25% affordable housing target is proposed.
- 2.1.7 The Inspector's concerns about the delivery of housing at the Garden Suburbs in the early LDP years, and the indication at the Inspector's Exploratory meeting that no housing at the North Heybridge Garden Suburb will be complete until the North Heybridge flood alleviation scheme has been implemented, highlight the importance housing delivery at the South Maldon Garden Suburb being viable at the outset to maintain the LDP's planned housing trajectory.

¹ 26th July 2014

2.2 2014 IDP Update

- 2.2.1 The Council have published a further 'Infrastructure Delivery Plan Update' ("2014 IDP Update" – May 2014), updating the previous June 2013 iteration, intended to inform both the development of the District Local Development Plan and a CIL Charging Schedule.²
- 2.2.2 The 2014 IDP Update includes some additional costs information (to be funded via CIL and Section 106) and to this extent provides some clarification in respect of the concerns raised within the March 2013 Pioneer representations regarding the June 2013 IDP.
- 2.2.3 However, there is still concern that there may be an overlap between CIL and Section 106 payments for infrastructure. In particular this is noted in respect of sports, allotments, GP enhancements, Early Years and Childcare, primary education, and passenger transport improvement related contributions which table 6 of the 2014 IDP suggests will be provided through a combination of both pooled s106 contributions (applicable to the South Maldon Garden Suburb sites) and the CIL charge.
- 2.2.4 In considering the above matters the National Planning Policy Guidance ("NPPG") provided online to accompany the National Planning Policy Framework ("NPPF") should be taken into consideration.
- 2.2.5 The NPPG includes a CIL guidance section and this states that:

"There should be not actual or perceived 'double dipping' with developers paying twice for the same item of infrastructure."

(NPPG, Paragraph: 093 Reference ID: 25-093-20140612)

- 2.2.6 In respect of Sports contributions the 2014 IDP³ states that there is:

"...no information available on the level of the infrastructure need and cost specifically for the Garden Suburbs at this time...",

and goes on to state that:

"...it is accepted that sports and related social facilities to primarily serve the Maldon and Heybridge Garden Suburbs should be delivered through pooled section 106 contributions".

² paragraph 1.1, 2014 IDP Update

³ paragraph 3.8

2.2.7 Despite this the contributions tables 6 and 8 assume that sports contributions will be payable solely through CIL – there is concern that the full cost to the strategic South Maldon Garden suburb is not reflected within the 2014 IDP assumptions and this will clearly impact on the viability and deliverability of this large portion of the Council’s overall housing land supply.

2.2.8 The NPPG CIL section goes on to state that:

“When a charging authority introduces the levy, section 106 requirements should be scaled back to those matters that are directly related to a specific site, and are not set out in a regulation 123 list.”

and goes on to state that:

“When the levy is introduced (and nationally from April 2015), regulation 123 limits the use of planning obligations. An agreement entered into for the purposes of section 106 may contain more than one planning obligation to which regulation 123 relates.

Where the regulation 123 list includes a generic type of infrastructure (such as ‘education’ or ‘transport’), section 106 contributions should not be sought on any specific projects in that category. Site-specific contributions should only be sought where this can be justified with reference to the underpinning evidence on infrastructure planning which was made publicly available at the charging schedule examination.

The charging authority’s proposed approach to section 106 contributions should be set out at examination and should be based on evidence. Where a regulation 123 list includes project-specific infrastructure, the charging authority should not seek any planning obligations in relation to that infrastructure”

(Paragraph: 097 Reference ID: 25-097-20140612 – emphasis added)

2.2.9 As such concerns remain that additional work remains necessary if the Council are to robustly assess the impact on the infrastructure requirements associated with the strategic South Maldon Garden Suburb sites, the costs of these requirements, and how this affects scheme viability. Currently there appears to remain a lack of clarity in terms of whether the CIL and section 106 contributions sought (as set out in the draft Regulation 123 list at page

28 of the 2014 IDP) will interact with one another in a way that accords with the NPPG and underpinning CIL Regulation 123.

2.2.10 In the March 2013 Pioneer representations (page 13) concerns were raised regarding the scope of the IDP review of the level of obligations achieved historically, and the NPPG sets out that:

“As background evidence, the charging authority should also provide information about the amount of funding collected in recent years through section 106 agreements. This should include information on the extent to which their affordable housing and other targets have been met.”

(Paragraph: 018 Reference ID: 25-018-20140612)

The 2014 IDP and May 2014 VS do not appear to include any additional information on this point and thus the concerns set out at page 13 of the March 2013 Pioneer representations remain.

2.2.11 As is noted in section 2.1 above, the Local Plan Inspector is extremely concerned⁴ with the timings and viability impact of the infrastructure burdens placed upon the planned housing land allocations, and remains unconvinced that the Council’s planned 5 year housing supply will be deliverable.

⁴ Pre-Exploratory Meeting Letter, ‘Key Concerns’, 26th June 2014

2.3 May 2014 Viability Study Update

- 2.3.1 The Council's viability evidence base includes a Local Plan and Community Infrastructure Levy Viability Study ("VS") published in August 2013, a 'Post Consultation Update' to the VS ("VS Update") published in November 2013 and a 'May 2014 Update' ("May 2014 VS") – all of which have been prepared by HDH Planning and Development Ltd on behalf of the Council.
- 2.3.2 Detailed comments on the VS and VS update were submitted within the March 2013 Pioneer representations to the Preliminary draft CIL Charging Schedule. The May 2014 VS has been published subsequent to this consultation event and thus it is relevant to comment on it in response to the June 2014 draft CIL Charging Schedule, considering whether any previous concerns regarding the Council's viability evidence have been resolved.
- 2.3.3 The May 2014 VS reapplies 'methodology and assumptions used in the Viability Study' and is to be read in conjunction with the VS and VS Update.⁵ In this respect the concerns raised in the March 2013 Pioneer representations regarding the VS and VS Update remain applicable (as are concerns raised by the Local Plan Inspector) and it is requested that these are taken into consideration as part of this Examination process.
- 2.3.4 The May 2014 VS includes additional consideration of the residential price assumptions applied within the VS and VS Update, and includes updated infrastructure cost assumptions drawing on the 2014 IDP (which is subject to the concerns raised above). These areas are considered in more detail in the following sub-sections.
- 2.3.5 The May 2014 VS also includes an additional section referring to the NPPG and amended February 2014 CIL Regulations (the impact of the latter was considered in the March 2013 Pioneer representations).

Amended CIL Regulations

- 2.3.6 In noting the greater emphasis placed by the February 2014 CIL Regulations stating that a charging authority 'must' strike an appropriate balance between the desirability of funding the cost of infrastructure through the CIL and the impact of this upon economic viability of development across the area the May 2014 VS concludes that CIL may make some sites

⁵ paragraph 1.3, May 2014 VS

unviable, but that the rates and policy requirements sought will not make the Plan undeliverable.⁶

2.3.7 However, where the impact upon the viability of large strategic housing land allocations such as the South Maldon Garden Suburb is not robustly demonstrated by the viability evidence base to facilitate housing delivery, and is left instead to be tested on a site by site basis, there is a clear danger of the Plan becoming undeliverable with the assumed housing land supply being stifled. Such an approach is contrary to the NPPF and the CIL Regulations.

Land Value Viability Threshold

2.3.8 The May 2014 VS,⁷ whilst including an additional section on the NPPG which acknowledges the need to ensure that aspirations in terms of design and social / environmental benefits are tested against the 'realistic likelihood of delivery', does not revisit the Viability Thresholds against which the viability modelling is tested. This despite that stakeholders (including major landowners) have raised significant concerns that these are insufficient for land to be released for housing.

Viability Sensitivity Testing

2.3.9 Various concerns have been raised regarding the approach applied within the May 2014 VS and how this assesses the ability of the South Maldon Garden Suburb to deliver affordable housing and CIL. These are set out in more detail in the March 2013 Pioneer representations.

2.3.10 However, it is important to take the high level May 2014 VS conclusions a step further when considering strategic sites. This increased focus on strategic sites is emphasised within the NPPG which sets out that:

"...a charging authority should directly sample an appropriate range of types of sites across its area, in order to supplement existing data. This will require support from local developers. The exercise should focus on strategic sites on which the relevant Plan (the Local Plan in England, Local Development Plan in Wales, and the London Plan in London) relies, and those sites where the impact of the levy on economic viability is likely to be most significant (such as brownfield sites).

⁶ paragraph 2.21, May 2014 VS

⁷ pages 7 and 8, May 2014 VS

(Paragraph: 019 Reference ID: 25-019-20140612, NPPG – emphasis added)

In considering circumstances where a more 'fine grained' approach may be appropriate the NPPG states that:

“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.”

(Paragraph: 019 Reference ID: 25-019-20140612, NPPG – emphasis added)

The NPPG goes on to confirm that:

“A charging authority should take development costs into account when setting its levy rate or rates, particularly those likely to be incurred on strategic sites or brownfield land. A realistic understanding of costs is essential to the proper assessment of viability in an area.

Development costs include costs arising from existing regulatory requirements, and any policies on planning obligations in the relevant Plan, such as policies on affordable housing and identified site-specific requirements for strategic sites.”

(Paragraph: 020 Reference ID: 25-020-20140612, NPPG – emphasis added)

The NPPG emphasis on having a more refined understanding of the realistic viability of strategic sites across the local authority area in general is clear, and requires the local authority to take account of developer concerns 'at an early stage'. This more fine grained assessment may support that differential charging rates are appropriate.

2.3.11 In this respect the NPPG states that:

“If the evidence shows that the area includes a zone, which could be a strategic site, which has low, very low or zero viability, the charging authority should consider setting a low or zero levy rate in that area.”

(Paragraph: 021 Reference ID: 25-021-20140612, NPPG – emphasis added)

2.3.12 In line with the NPPG advice and to ensure that the Plan remains deliverable it is necessary to understand the extent to which the South Maldon Garden Suburb is able to deliver affordable housing and CIL within the context of a range of real world scenarios. This

includes having an understanding of how increased costs and realistic values impact upon viability.

- 2.3.13 The May 2014 VS undertakes only an extremely limited sensitivity analysis⁸ to consider the impact of different cost / revenue assumptions upon the ability of sites to deliver affordable housing. CEG / DPE has discussed this matter with the Council and the Council's independent viability consultant, emphasising that additional sensitivity testing is necessary to ensure that the policy requirements and CIL approaches applied to the South Maldon Garden Suburb do not fetter / stall the delivery of this large area of housing land.
- 2.3.14 To assist the Council with finalising a Plan policy and CIL approach that realistically reflects the scale of obligations and CIL that the South Maldon Garden Suburb can bear whilst remaining deliverable sensitivity analysis has been undertaken using the model applied by the May 2014 VS author.
- 2.3.15 This sensitivity analysis builds on the higher level assessment of viability presented within the May 2014 VS and demonstrates how refinements to Plan policy and the CIL Charging Schedule can ensure the deliverability of the South Maldon Garden Suburb, and particularly the large key strategic site off Limebrook Way, without which the cohesive and sustainable development of the South Maldon Garden Suburb cannot be realised.
- 2.3.16 Given the lack of any detailed review within the May 2014 VS of the viability of affordable housing provision upon strategic land and the key role in housing land supply that the South Maldon Garden Suburb 1000 dwelling proposed land allocation plays, this sensitivity review is focussed on Site S2a Limebrook Way (i.e. site '1' – 1000 dwellings - within the VS Update and May 2014 VS).
- 2.3.17 Given the reliance by the Council on the development of the South Maldon Garden Suburb to assist with fulfilling planned housing delivery numbers, the Site S2a Limebrook Way site sensitivity analysis is of particular relevance.
- 2.3.18 On sites such as a S2a Limebrook Way and on the basis of the £330k per hectare land value threshold assumed in the May 2014 VS, the May 2014 VS purports a 40% affordable housing target with a nil CIL payment or a 30% affordable housing target alongside a £70 per m2 CIL charge to be viable.⁹

⁸ Table 10.7 of the CSVS presents analysis of increased BCIS costs and increased / decreased values but looks at these elements separately and without assessing the impact of combined altered cost / revenue scenarios.

⁹ paragraph 8.8, May 2014 VS

2.3.19 However, as already set out in detail within the March 2013 Pioneer representations, there are significant concerns regarding the May 2014 VS:

- i) The £330k per hectare land value threshold assumption is insufficient to secure the release of housing land (this conclusion is supported by the independent valuation advice attached at Appendix 1),
- ii) The value / price assumption of £2,900m² (£270 per sqft) for homes to be delivered in the South Maldon Garden Suburb is unrealistically high. This is unrealistic as an overall assumption when modelling. The prices assumed are more reflective of a market high, and are unable to take into account that recessionary conditions are likely to re-occur during the Plan period as the economic cycle runs its course. Independent valuation advice suggests that a value of between £2,500 and £2,700 per m² (£235 to £250 per sqft) at the South Maldon location is more realistic at the current time – see appendix 1.
- iii) The level of s106 and CIL contributions that the Council are likely to seek to impose remain to be finalised, with the IDP making assumptions based on the information available, but acknowledging that the extent of some contributions are not yet fully known. This renders it unreliable for the May 2014 VS to apply a fixed conclusion regarding such costs when seeking to assess the viable level of affordable housing that can realistically be sought. Such costs will be subject to change, and the impact of increases in costs above the baseline May 2014 VS assumptions in conjunction with realistic values (and land value thresholds) should be taken into consideration.
- iv) There is the potential for significant changes in planning and construction costs during the lifetime of a strategic site which should be reflected within even high level viability modelling in line with the NPPG. Additional modelling has not been undertaken to reflect this.

The above is not an exclusive list of the concerns raised but draws out some of the key points.

2.3.20 Analysis has been undertaken by Pioneer using the same model used to inform the VS Update and May 2014 VS. This analysis is based on adjustments to a limited number of variables (see the detail of what is changed in the box below the figure 1 matrix). The

output is residual land value per hectare with potential affordable housing outcomes listed across the columns.

2.3.21 The outputs of this analysis are presented in a Matrix below:

FIGURE 1 May 2014 VS model outcomes by land value per hectare in a range of value and cost scenarios.

**Based on May 2014 VS Site 1 Modelling: S2a
 Limebrook Way Sensitivity Analysis**

Iteration:	Cost / Value Assumptions	Potential Affordable Housing % (Floor Area % / Dwelling Number %)			Suggested Residual Land Value £/ha Based on 2014 VS Model
		16% / 20%	25% / 30%	34% / 40%	
A	Plus 5% on 2014 VS costs / 2,500m2 Values	194,023	97,734	-5,494	
B	Plus 2.5% on 2014 VS costs / 2,500m2 Values	246,283	151,329	49,827	
C	2014 VS Cost Assumptions / 2,500m2 Values	298,209	204,668	103,423	
D	Plus 5% on 2014 VS costs / 2,900m2 Values	549,247	429,475	301,621	
E	Plus 2.5% on 2014 VS costs / 2,900m2 Values	599,084	481,079	353,547	
F	2014 VS Cost Assumptions / 2,900m2 Values	650,462	531,686	405,473	

NB: Based on VS Update / May 2014 VS Affordable Housing Tenure Split

May 2014 VS Cost Assumption Input Areas	
PLANNING	Planning Fee Architects QS / PM Planning Consultants Other Professional
CONSTRUCTION	Build Cost - BCIS Based s106 / CIL Contingency Abnormals

NB: above values = £ per m2

- 2.3.22 As a baseline position the above sensitivity analysis uses the same model and applies the same cost and value assumptions as the May 2014 VS (which in the third table on page 36 of the May 2014 VS – assuming 40% affordable housing at nil CIL - and in the bottom right-hand corner of the matrix of figure 1 above suggests a Residual Land Value of £405,473 for the S2a Limebrook Way site). As identified, the above matrix applies a combination of increased planning and construction costs and / or a lower value / price assumption.
- 2.3.23 This provides a range of outputs and it is noticeable that the May 2014 VS model is extremely sensitive with relatively limited changes to cost / value assumptions resulting in notional Residual Land Value outputs that fall below the May 2014 VS £330k per hectare land value threshold.
- 2.3.24 Where higher land value thresholds are applied (as suggested within VOA data and noted in detail in the March 2013 Pioneer representations) the S2a Limebrook Way scheme is demonstrably unable to deliver 40% affordable housing even before altered planning / construction costs / house value assumptions are applied.
- 2.3.25 On a large strategic scheme in Maldon a value assumption of £2,900m² is unrealistic (please see Appendix 1), and independent valuation advice suggests that between £2,500 and £2,700 per m² (£235 to £250 per sqft) at the South Maldon location is more reflective of the current market. When £2,500 per m² (£235 per sqft) is applied it suggests that S2a Limebrook Way will be unviable at 40% affordable housing, even at nil CIL.
- 2.3.26 At £2,700 (£250 per sqft) sensitivity testing suggests that 40% is similarly unviable even compared to the unrealistically low May 2014 VS £330k per hectare land value threshold and with no increase applied to the cost assumptions. A 30% level of affordable housing will prove similarly unviable at this upper ceiling value (which is therefore likely to be optimistic at it lies at the top of the current value range) and where compared to the unrealistically low May 2014 VS £330k per hectare land value threshold and with a 2.5% to 5% increase in cost assumptions.
- 2.3.27 A 20 to 25% level of affordable housing (on a numerical basis), whilst still generating an insufficient residual land value where a £2,500 per m² adjusted value and nil cost increases are assumed, is likely to represent a more appropriate Plan policy target for the South Maldon Garden Suburb. As already stated it is appropriate to take into account that recessionary conditions are likely to re-occur during the Plan period as the economic cycle runs its course, and the matrix and sensitivity testing demonstrates that at the current value

range suggested at Appendix 1 site S2a Limebrook Way will be unviable at 40% affordable housing, even at nil CIL.

- 2.3.28 Whilst still ambitious, in combination with a nil CIL charge in respect of the South Maldon Garden Suburb and any appropriate reductions to other section 106 burdens placed on the South Maldon Garden Suburb, this target allows for the possibility of improving revenues during the Plan period and can be applied flexibly through policy including 'subject to viability' wording.
- 2.3.29 Whilst an affordable housing target of up to 25% would require the modification of the currently proposed 40% affordable housing / £70 per m2 CIL charge, it aligns closely with the approach taken in respect of the North Heybridge Garden Suburb and thus is not a significant amendment to the wider approach being taken by the Council through the emerging Plan to facilitate the delivery of its other large strategic housing land allocation.
- 2.3.30 This amended approach is supported by CEG / DPE on the basis that it will enable section 106 infrastructure contributions to come forwards in a timeframe and at a scale that will render the delivery of at least 150 new homes in South Maldon in the 5 year period commencing 2014/15 a realistic prospect. CEG are also content that such an approach would enable the delivery of the remaining homes on site 2(a) to be delivered by year 2026/27.

3. CONCLUSION

- 3.1 Significant concerns have been raised by the Local Plan Inspector regarding the timing and impact on viability of the level of infrastructure sought by the local authority, particularly with regards to the impact upon the deliverability of the South Maldon Garden Suburb. Imposing an additional CIL burden upon the South Maldon Garden Suburb will add to the viability concerns associated with the burdens already proposed by the Council.
- 3.2 An overlap remains in the 2014 IDP Update between CIL and section 106 obligations that fall within the same categories of infrastructure despite advice on this matter in the NPPG, and a level of uncertainty remains regarding the actual level and timing of contributions sought by the Council (as noted by the Local Plan Inspector).
- 3.3 In respect of the South Maldon Garden Suburb Commercial Estates Group and Dartmouth Park Estates would welcome the opportunity to enter into immediate discussions with the Council in respect of the concerns raised in these and the Local Plan representations to ensure that these issues can be resolved to enable the timely delivery of homes and infrastructure through the South Maldon Garden Suburb.
- 3.4 The May 2014 VS continues to apply the same assumptions as those applied within the VS despite concerns raised in the March 2013 Pioneer representations, and the lack of updated modelling is noted by the Local Plan Inspector.
- 3.5 Despite significant concerns raised within the March 2013 Pioneer representations in respect of the land value viability thresholds these remain set at £330k per hectare in the Council's evidence base (VOA data¹⁰ suggests that permitted residential land values are likely to significantly exceed this and Commercial Estates Group and Dartmouth Park Estates consider a £330k threshold to be insufficient).
- 3.6 The May 2014 VS provides only limited sensitivity modelling. As discussed by CEG / DPE with the Council, additional sensitivity testing is necessary to ensure that the policy requirements and CIL approaches applied to the South Maldon Garden Suburb do not fetter / stall the delivery of this large area of housing land. Sensitivity analysis has therefore been undertaken by Pioneer on behalf of CEG / DPE using the model applied by the May 2014 VS author to assist the Council with finalising a Plan policy and CIL approach that realistically reflects the scale of obligations and CIL that the South Maldon Garden Suburb can bear whilst remaining deliverable.

¹⁰ the VS refers to Valuation Office Agency ("VOA") bulk land per hectare values for the Norwich and Cambridge areas (£1,600,000 and £2,900,000 per hectare respectively) as at 2011 - page 49, VS

- 3.7 This sensitivity analysis suggests that in reality, a 20 to 25% level of affordable housing (on a numerical basis) at nil CIL, whilst still generating an insufficient residual land value compared to the VS £330k per hectare threshold where adjusted values and nil cost increases are assumed, is likely to represent a more appropriate affordable housing target and CIL assumption for the South Maldon Garden Suburb. In reality, the VS £330k per hectare land value threshold is suggested by independent valuation advice to be insufficient.
- 3.8 The emerging Local Plan should be modified in respect of the South Maldon Garden Suburb to apply a 25% affordable housing target (subject to site specific viability) alongside a modification to the emerging CIL draft Charging Schedule reducing the CIL requirement to nil in respect of the South Maldon Garden Suburb.
- 3.9 This proposed 25% affordable housing target remains ambitious for the South Maldon Garden Suburb, but alongside a nil CIL charge and, if necessary, reductions to other s106 burdens, this target can be applied flexibly 'subject to viability' and allows for improved revenues during the Plan period, thus future proofing Plan policy.
- 3.10 The above aligns with the approach taken by the Council to housing delivery on the North Heybridge Garden Suburb, and, as such, does not represent a significant modification in terms of the proposed Local Plan policy in relation to Garden Suburb strategic housing land allocations.
- 3.11 It is essential that the South Maldon Garden Suburb is similarly facilitated through the application of a reduced affordable housing target, a nil CIL charge, and a reduction in other proposed planning policy burdens to only those that are necessary to mitigate the impacts of its development (and in accordance with CIL Regulation 122 and the NPPF).
- 3.12 The amendments are necessary to facilitate the delivery of the South Maldon Garden Suburb (which plays a key role in the Council's planned housing land supply) in line with proposed Local Plan timescales.

4. APPENDIX 1



Your ref:
 Our ref: IW/ncb
 dd: 01245 505061
 df:
 e: ian.wickerson@bidwells.co.uk
 Date 22 July 2014

David Lewis
 Development Manager
 Commercial Estates Group
 Sloane Square House
 1 Holbein Place
 London SW1W 8NS

Saxon House
 27 Duke Street
 Chelmsford
 Essex CM1 1HT
 t: 01245 250998
 f: 01245 251214
 bidwells.co.uk

Dear David

Land to the south of Limebrook Way, Maldon - Estimated sales revenues for proposed new housing development

I refer to our recent telephone conversation and my letter of 16 July in respect of land which Commercial Estates Group is currently promoting south of Limebrook Way, Maldon. I understand that the proposed development envisages a mixed housing development comprising terraced, semi-detached and detached houses, with perhaps a small number of apartment units. In arriving at an opinion as to the current level of new home sales revenues I have undertaken the following research:

- 1 Evidence of actual sales transactions in the market obtained from Land Registry data. I have considered for sales transactions occurring within a 0.5 mile radius of the proposed site during the last 18 months. A summary of this information is provided at Appendix 1 which is attached to this letter.
- 2 Properties currently For Sale or Under Offer within a 0.5 mile radius of postcode CM9 6YL. This information is available through property websites such as Rightmove and provides evidence of current asking prices in the market as well as subject to contract sales. A summary of comparables is set out at Appendix 2 attached to this letter.

Land Registry Data

There is a reasonable amount of data for actual sales transactions on the housing development to the immediate north of Limebrook Way. This development comprises modern estate housing and has been completed during the last 10 years, much of which was undertaken by Bovis Homes. You will see from the appendix that the sale prices for detached housing range from £250,000 to £396,000, and most of the transactions which have taken place relate to this housing type. There is also evidence of sales for semi-detached housing which range from £175,000 to £190,000 (two transactions), and terraced housing, £114,500 to £165,000 (four transactions). Additionally, Land Registry data shows two leasehold flat sales ranging from £103,000 to £112,500.

Second-hand properties currently for sale or under offer

I have considered properties currently for sale and also those which are shown sold subject to contract on estate agents' websites. The majority of comparables which I have considered are relatively modern and form part of residential developments that have taken place in recent years. You will see that quite a number of properties currently for sale or sold subject to contract are located within the housing

Land to the south of Limebrook Way, Maldon - Estimated sales revenues for proposed new housing development

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development to the north of Limebrook Way. Probably provides the best comparable evidence when considering sales revenues which might be achieved on a development to the immediate south.

In total, I have considered 22 second-hand comparables. Not all of the agents particulars provide summary floor areas, but where they have I have been able to devalue the asking price to arrive at an asking price rate per sq ft. It is reasonable to assume a discount of 5% to the asking price to reflect actual sold prices even in the current active market. Appendix 2 provides a summary of this evidence. At Appendix 3 I have summarised the properties where floor areas are known and undertaken a calculation which gives an average rate per sq ft (applying a 5% discount). The properties contained within this appendix include a mix of detached and terraced houses and a one bedroomed flat. You will see that the inclusion of the 1 bedroomed flat and 1 bedroomed terraced house tends to skew the average rate per sq ft upwards. The average estimated sale price for all of these properties is £243 per sq ft. In the event that the 1 bedroomed flat and terraced house were excluded the average rate per sq ft would fall.

The evidence which I have considered suggests that sales revenues for a mixed housing development in the location proposed might currently achieve between £235 per sq ft - £250 per sq ft. This is consistent with my own expectation of where the Maldon new homes market currently is, and Maldon's position relative to other towns and locations in mid and east Essex. For example, I have in the last month undertaken a similar analysis for a housing scheme in the Burnham area where I estimated that average sales revenues are in the range £220 - £225 per sq ft. Similar housing schemes in the Chelmsford area are probably achieving £280 - £320 per sq ft which reflects the town's location, transportation links, and demand and demographic factors. At the present time, I would expect that average sales revenues for your proposed scheme to the south of Limebrook Way would have a ceiling of £250 per sq ft.

In terms of an appropriate threshold land value for viability purposes, I think a figure of £330,000 per hectare has been suggested. This equates to just £133,000 per acre. Having undertaken a large number of viability assessments across Essex, East Anglia and the south east during the last two years, my view would be that this is an extremely low benchmark and is at a level at which landowners would not be prepared to bring their land forward for development. I have not seen this level of benchmark land value applied to any of the schemes where I have undertaken viability assessments, even within much lower value areas where average sales revenues are below £200 per sq ft such as rural Suffolk.

I trust that this has sufficiently addressed the questions which you raised, however if you require anything further or have any clarification points please let me know.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ian Wickerson', with a long horizontal stroke extending to the right.

Ian Wickerson

Partner - Residential Development

Appendix 1 - Land Registry Comparables – Sales in last 18 months within a 0.5 mile radius of the proposed development

	<u>Type</u>	<u>Sale Price</u>	<u>Sale Date</u>
<u>Meeson Meadows</u>			
No. 21	Detached House	£396,000	19/11/13
<u>Aveley Way</u>			
No. 4	Detached House	£250,000	28/6/13
No. 8	Detached House	£385,000	28/6/13
No. 3	Detached House	£265,000	27/6/13
No. 17	Detached House	£395,000	22/3/13
<u>Keeble Park</u>			
No. 6	Semi-Detached House	£190,000	30/8/13
No. 35	Terraced House	£165,000	25/7/13
<u>Falcon Fields</u>			
No. 22	Semi-Detached House	£175,000	6/12/13
No. 52	Terraced House	£161,000	23/7/13
<u>Conyer Close</u>			
No. 18	Terraced House	£160,000	27/3/13
<u>Courtland Place</u>			
4 Odin Lodge	Leasehold Flat	£112,500	9/12/13
6 Nordic Lodge	Leasehold Flat	£103,000	16/9/13
28 Courtland Place	Terraced House	£114,500	30/8/13

Appendix 2 - Properties currently for sale or under offer within a 0.5 radius of CM9 6YL

Minster Way	5 bedroomed detached house - Bloor Homes	f/sale @ £470,000 - 2,009 sq ft = £234 psf Asking price, discount by 5% = £222 psf
Tintagel Way	4 bedroomed detached house	f/sale @ £439,500
Kestrel Mews	5 bedroomed detached house	f/sale @ £440,000
Aveley Way	4 bedroomed detached house	f/sale @ £439,500
Crayford Close	4 bedroomed detached house	f/sale @ £435,995
Viking Road	4 bedroomed detached house	f/sale @ £430,000
Johnson Way	4 bedroomed detached house	Sold subject to contract. Asking price £425,000
Memory Close	4 bedroomed detached house	Sold subject to contract. Asking price £399,995
Knox Close	4 bedroomed detached house	Sold subject to contract. Asking price £399,950
Essex Road	3 bedroomed detached house	Sold subject to contract. Asking price £349,950
Mimosa Reach	3 bedroomed detached house	Sold subject to contract. Asking price £329,000 1,252 sq ft = £263 psf Asking price, discount by 5% = £250 psf
Dorset Road	3 bedroomed semi-detached house	Sold subject to contract. Asking price £260,000 1,129 sq ft = £230 psf Asking price, discount by 5% = £218 psf
Ridgeway	3 bedroomed semi-detached house	Sold subject to contract. Asking price £250,000
Ridgeway	3 bedroomed semi-detached house	Sold subject to contract. Asking price £250,000
Ridgeway	3 bedroomed semi-detached house	Sold subject to contract. Asking price £240,000 797 sq ft = £301 psf Asking price, discount by 5% = £286 psf
Keats Close	3 bedroomed terraced house	Sold subject to contract. Asking price £225,000 961 sq ft = £234 psf Asking price, discount by 5% = £222 psf
Browning Road	3 bedroomed semi-detached house	Sold subject to contract. Asking price £219,950
Halston Place	3 bedroomed semi-detached house	Sold subject to contract. Asking price £207,950
Essex Place	3 bedroomed semi-detached house	Sold subject to contract. Asking price £200,000
Falcon Fields	3 bedroomed semi-detached house	Sold subject to contract. Asking price £149,950
Falcon Fields	3 bedroomed semi-detached house	Sold subject to contract. Asking price £147,500 483 sq ft = £305 psf Asking price, discount by 5% = £290 psf
Nordic Lodge	3 bedroomed semi-detached house	Sold subject to contract. Asking price £115,000 352 sq ft = £327 psf Asking price, discount by 5% = £311 psf

Appendix 3 - Analysis of properties where summary floor areas provided

Address	Type	Floor Area sq ft	Assumed sale price (reflects 5% discount to asking price)
Minster Way	5 bed det house	2,009	£446,500
Mirosa Reach	3 bed det house	1,252	£312,550
Dorset Road	3 bed det house	1,129	£247,000
Ridgeway	3 bed det house	797	£228,000
Keats Close	3 bed terraced house	961	£213,750
Falcon Fields	1 bed terraced house	483	£140,125
Nordic Lodge	1 bed flat	352	£109,250
		6,983 sq ft	£1,697,175

£1,697,175 / 6,983 sq ft = £243.04 per sq ft average sales revenue