
Borough of Poole Community Infrastructure Levy (CIL) Examination

Response to Examiner's Questions: Question 2 -
Representors



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Introduction

This representation is made on behalf of Richborough Estates Ltd (Richborough). Notwithstanding the Borough wide impact, with regard to Richborough Estates' specific interest, this representation focuses on the impact the proposed Draft Charging Schedule 2017 (ED01) levy will have to strategic sites and particularly Site (UE1) Land North of Merley (500 homes).

In accordance with the ED01, Strategic Urban Extension (SUE) Site UE1 North of Merley would be subject to the Zone A CIL charge of £200 per sq m. Richborough are concerned that Borough of Poole's own evidence base indicates that this proposed CIL rate could have an adverse impact on the viability of UE1 which could consequently jeopardise delivery of a policy compliant contribution towards Affordable Housing as set out in the Draft Local Plan to 2033.

Savills, on behalf of Richborough Estates Ltd presents this statement in response to the Examiner's Questions 2 – Representors but also address in part, the new evidence document 'ED08 – Further Strategic Site Testing of UE1 North of Merley and UE2 North of Bearwood'.

Examiner's Question 2 – Response

The Examiner notes that, in Examination Document ED04 – Statement of Representations and Summary of Main Issues, the Council sets out a substantial response to representations made during the consultation period of the Draft revised Charging Schedule (DrCS). Dealing with issues that particularly concern his Examination, the gist of the representations are in Section 2 of this document, beginning at paragraph 16, in Section 3 beginning at paragraph 33 and in Section 4 beginning at paragraph 59. In paragraphs 22 to 32, 38 to 58, and 61 to 67 the Council sets out responses to the matters raised.

Mr Kemmann-Lane's wishes to provide you with the opportunity to reply to the contents identified above, to assist in his consideration of the issues at the Hearing and when arriving at his recommendations when he reports to the Council.

Concerns with the proposed CIL Liability Charge

We remain concerned that the proposed charge of £200 in North Poole and the SUE's (Strategic Urban Extensions), which is comparable with the proposed charge for Sandbanks, Lilliput and Branksome Park represents an 'indiscriminate approach' to setting of the charging rate in Zone A. The proposed CIL rate being applied to North Poole and the SUE's is predicated on an evidence base of only 9 no. sales in the North Poole area. This is a very small sample size, particularly when considering the importance of delivering 1,300 dwellings across two strategic sites in the emerging Local Plan in this Charging Zone.

We consider that the suggested sales values remain high and the evidence to support the values is not drawn from comparable sales examples that reflect the new build estate housing that will be delivered on the SUE's. Later in this statement we provide information on two similar estate build examples within 3km of the strategic urban extensions that demonstrate lower sales values. These are Water's Edge in Wimborne and Holmwood Park, Ferndown, both of which are urban extensions, released from Green Belt and provide a better comparable to the likely sales values than the evidence which has informed the Draft Charging Schedule for North Poole and the SUE's.

In the Borough of Poole's evidence document 'ED04 – Statement of Representations and Summary of Main Issues' (ED04) paragraph 24 indicates that the CIL charges are founded on strategic economic viability evidence and the capacity of development to pay CIL without affecting delivery in viability terms. This viability evidence is set out in 'ED07: Poole's Strategic Viability Study 2017' (ED07) and 'ED08: UE1 and UE2 strategic viability study update work 2018' (ED08).

The Council states at paragraph 32 that in the absence of any other strategic viability evidence indicating a significant adverse risk on delivery, the Council has not considered amending its proposed CIL rates. Had Borough of Poole consulted on the latest strategic viability test of UE1 and UE2 contained in ED08, it would have been possible for the comments now being made regarding the assumptions used in that report to have been made earlier. This would have given Borough of Poole further opportunity to consider the viability position in respect of the SUE's, in advance of submission of the revised draft charging schedule. Had this opportunity been given, we consider that amendments to the revised Draft Charging Schedule could have been made and agreed, avoiding the need for Richborough to object to the Draft Charging Schedule at this stage.

Concerns with the Strategic Viability Evidence

We have previously set out our views that there is a lack of evidence to support the assumptions used in the strategic viability study and this position has not changed as a result of the introduction of the new strategic viability evidence document ED08. Concerns raised in our previous representation dated September 2017 relating to assumptions made within the viability evidence base remain valid to the CIL Examination process.

In particular, we have provided evidence of benchmark Land Values and Existing Use Values for sites in Dorset and Southern England which are considered a more reliable evidence source than adopting DCLG guidance estimates. Sales revenue assumptions remain high and are based upon a low sample of non-comparable sales in the north Poole area. The opportunity to take account of local examples at Waters Edge and Holmwood Park, which form a more reliable evidence base, have not been adopted.

The assumptions regarding site opening costs have decreased further in ED08 to £10,000 per unit with little justification. It appears that the Council has confused itself between Section 106 contributions and strategic site infrastructure which are two entirely separate matters. We maintain that a more appropriate site opening up cost attributable to the development would be to adopt the Harman Report recommendations, allowing for indexation which would result in a range of between £22,184 and £30,013 per dwelling.

Concerns with the Council's Interpretation of the Strategic Viability Evidence

The Council's response to concerns previously raised indicates at paragraph 62 that it has completed a Strategic Viability Study and these demonstrate clearly that these sites are viable with £200 per sqm CIL charge. We contend that there are a number of issues with the approach adopted and the assumptions made within the latest evidence document. As such, we consider that the revised Draft Charging Schedule is not based upon appropriate available evidence. In this following section we set out our analysis of the assumptions made within evidence document ED08.

Results of Additional Strategic Modelling (ED08)

Richborough Estates Ltd welcome the additional modelling undertaken by Porter Planning Economics (PPE) relevant to site UE1 & UE2, as set out within Examination document ED08. However, the approach adopted and a number of viability assumptions cause concern. We set out further detail below.

The Council in their response (ED04) state that a combined allowance of between £46,000 and £50,000 per dwelling has been made for site infrastructure and Section 106 costs within strategic modelling undertaken by PPE. It is unclear where these sums have been derived as it is evident from Table 3.1 of ED08 that an allowance of only £10,000 has been made for strategic infrastructure and between £10,000 and £30,000 for site specific Section 106. Therefore, providing a combined allowance of between £20,000 and £40,000 per dwelling. Should the Council consider that an allowance of up to £50,000 per dwelling be more appropriate, then further modelling should be undertaken.

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Of more concern is the lack of clarity surrounding the results of Table 3.1 of ED08, and the approach adopted by the viability consultant. The consultant has adopted CIL at £200 per sq m as a fixed cost within the appraisal, with the output of the appraisal being the residual land value. The residual land value is then compared with the BLV on a per Ha basis. We disagree with this approach. The output of any CIL viability modelling should, by the very nature of the exercise, be the surplus afforded to CIL. Correctly utilising the appraisal software in this way would mean that the additional strategic modelling is truly testing the impact of greater delivery costs. Importantly, including CIL as an output of the appraisal means that should the Council wish to amend any further inputs following consultation, then the appraisals can be used to recommend a revised CIL.

It is also unclear if the BLV adopted by the Council for Greenfield sites at £420,000 per Ha is stated on a net or gross basis.

Despite requesting sight of all appraisals, we note that only 2 no. sample appraisals have been provided with ED08. Table 3.1 of ED08 appears to suggest that the additional headroom afforded to CIL, e.g. over and above the £200 per sq m adopted, for sites UE1 and UE2 is between £86 - £143 per sq m when a combined allowance of £40,000 per dwelling is assumed for strategic infrastructure and Section 106 costs. However, our review of both sample appraisals shows that, based on a CIL levy of £200 per sq m and the Council's current cost and value assumptions, a headroom of only £50 per sq m and £28 per sq m is generated before a viability buffer is applied. The results of Table 3.1, therefore incorrectly reflect a much more viable position when CIL is adopted at £200 per sq m. It is for this very reason, stakeholders should have sight of all appraisals so that a full analysis and sense check can be made of the results used to 'set' the proposed levy.

Further, the Council acknowledge evidence provided by Savills supports the need for additional modelling incorporating higher Section 106 and strategic infrastructure costs. Evidence provided by Savills suggest a combined average of £36,500 per dwelling is appropriate for site abnormals and Section 106 costs for similar sized sites in the wider South East. The Council have sought clarity as to what items form the basis of this average for comparison with a greenbelt site. Whilst we are unable to provide a site specific breakdown for each of these sites owing to the promoting developers not being party to this representation, Savills confirm that the sites used to form the average are Greenfield sites, will provide between 20 -40% onsite affordable housing and form significant extensions to settlements.

Benchmark Land Values (BLV)

The Council's adopted BLV at £420,000 per Ha is derived from an Existing Use Value (EUV) multiple approach. EUVs are based on agricultural land values for the South West as set out in DCLG (2015) Land Value estimates for policy appraisal.

Again we would seek clarity as to the status of the £420,000 per Ha adopted and whether this is stated to be on a gross basis.

Savills have provided evidence to support a BLV for Greenfield sites of £645,000 per gross Ha (£1.87m per net Ha). This has been derived in two ways:

1. Minimum prices agreed within Option and Promotion agreements of sites between 120 no. and 630 no. dwellings across the south. This provides an average of £645,000 per gross Ha. The Council's concern raised at paragraph 46 relevant to planning policy requirements is more relevant to purchase prices of consented land, and as such not so relevant to minimum prices agreed within Option and Promotion agreements which is agreed pre-planning.
2. Existing Use Value multiple approach, the same approach adopted by the Council although relying on 8 no. sales of agricultural land of between 3 – 53 acres in Dorset. This provides an average of £644,931 per gross Ha.

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Both methods suggest that the current BLV adopted by the Council of £420,000 per Ha is too low. For this reason, Richborough Estates Ltd are concerned that the BLV assumptions currently relied upon by the Council to support a levy of £200 per sq m are not reflective of actual values required to release Greenfield sites in the north of the Borough.

Sales Values & Charging Zones

Savills acknowledge that 440 no. new build sales have been reviewed by the Council. However, of key concern is that only 9 no. of the 440 no. sales relate to north Poole. To propose a levy, applicable to 1,300 dwellings in the north of the Borough, that is some £125 per sq m higher than the current position on the basis of these nine sales appears to be an oversight.

Worth noting is that, save as Sandbanks, the sales value data for the 9 no. sales generates one of the highest sales values in the borough, with house values in line with those in Lilliput/Branksome (£3,959 sq m). Intuition alone suggests that a large supply of new build estate housing in the north of the borough will not achieve the same values as infill, high value houses within small bespoke developments in Lilliput and Branksome.

Owing to the very nature of its location, there is limited, comparable, new build evidence from which a reasonable judgment of value can be formed for new settlements in the north of the borough. As such, a holistic approach should be taken when setting a sales value for site UE1. We would draw your attention to new build sales values achieved to the north of UE1 and north of the A31, as set out within our previous representation. Here, at the Waters' Edge development, an average value of circa £3,896 per sq m (£362 per sq ft) was achieved for sales between 2013 - 2015. To ensure a like for like comparison with the Council's research period, we have considered values achieved for this site between 2014 – 2015 explicitly. This provides an average of £3,229 per sq m (£300 per sq ft). This increases to £3,536 per sq m (£329 per sq ft) with indexation to current date. However, in line with the Council's methodology and approach to overall sales values, indexation would be discounted. It is worth noting the location and situation of Waters Edge is considered to be better, being close to Wimborne town centre and fronting the River Stour.

We would also draw the Examiners attention to a development known as Holmwood Park currently under construction by Bellway Homes, Wessex Division. The site is located off the Ringwood Road, Ferndown, BH22 9AP. The site is a former green belt site released through Green Belt Review under the East Dorset Core Strategy in 2014. Whilst the site is located in the neighbouring Local Planning Authority area of East Dorset District Council it is less than 3km from UE2 North of Bearwood. The site is a current example of an urban extension being built on the edge of the settlement, located in close proximity to the Borough of Poole boundary, the sales values of which give a relatively accurate and up to date indicator of where sales values are likely to be for sites UE1 and UE2.

When considering marketed sales values at Holmwood Park, there is a range from between £280 per sq ft (£3,008 per sqm) and £366 per sq ft (£3,947 per sqm). Whilst the upper sales values are towards £4,000 per sqm, only 3 of 7 unit types are achieving these values. Taking an average sales value of this development it is likely to be more in the region of £340 per sq ft or £3,650 per sqm. This example is considered to provide a much more robust and up to date position to base sales value assumption on in the viability testing than the 9 sales in the north Poole area used to inform the £4,000 per sqm adopted in the strategic site testing in ED08.

On the basis of the above, we would ask the Council to adjust their opinion of sale value for strategic sites, taking account of new build sales data derived from large scale developments, particularly the Water's Edge development which is some 500 metres to the north west.

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SANG Acquisition Costs

Within ED08 an allowance of £1,142 per dwelling has been made for the purchase of SANG for site UE1. PPE highlight that site UE1 will provide circa 19.03 Ha. Their allowance for SANG acquisition therefore reflects £30,036 per Ha or £12,155 per acre (gross). Based on Savills experience and knowledge of the sale of SANG, this figure is too low. We set out comparable evidence below:

- Wyvols Field, Wokingham, Berkshire – Wyvols Field comprised approximately 11.58 acres (4.69 hectares) of land. Additional land also known as compensatory land was secured (3 acres / 1.25 hectares) at the Loddon SANG via agreement with Reading University. The SANG Provision Cost totalled £309,000.00 which equates to £103,000 per acre or £247,200.00 per hectare.
- Confidential Transaction, Wimborne, East Dorset – A minimum price of £50,000 per acre was agreed for SANG in July 2018.
- Grays Farm, Wokingham, Berkshire, RG40 3AN – Grays Farm comprises approximately 68 acres (27.5 hectares) of land, including approximately 15 acres of strawberry fields, a five-bedroom house with an agricultural tie and a modern agricultural barn. The agreed price for the SANG equates to £35,000 per acre (£86,500 per hectare).
- Land at Walsh Manor Farm, Crowborough, East Sussex – The land at Walsh Manor Farm comprises approximately 71.19 acres (28.81 hectares) and sold to Wealden District Council as SANG. The agreed sales price was £1,700,000, reflecting £23,879 per acre (£59,007 per hectare).
- Rooks Nest Farm, Barkham Ride Wokingham, Berkshire, RG40 4EU – Wokingham Borough Council adopted £20,234 per acre (£50,000 per hectare) within their valuation of approximately 37 acres (14.97 hectares) of SANG land at Rooks Nest Farm.

The evidence above illustrates a range of values of between £20,000 - £103,000 per acre. On the basis of the above, it is clear that the current allowance of £11,554 per acre for SANG acquisition for strategic site UE1 and UE2 is too low. We would ask the Council to review their assumptions and update their appraisals accordingly.

Missing Development Costs

The strategic viability evidence document ED08 provides an example appraisal for UE1 North of Merley which considers a 500 unit scheme on a net developable area of 12.5 hectares assuming an average density of 40 dwellings per hectare across the site. The viability appraisal considers the cost of 19 hectares of SANG on the development, the value of which we have addressed above. What the appraisal does not consider is the additional requirement for the development to provide on site public open space and recreational land. The overall site area is approximately 46 hectares yet only 31.5 hectares are accounted for in the viability appraisal. The cost of an additional 14.5 hectares of land needed by the development proposals should be factored into the viability appraisal and would have yet further impact on the viability of the site.

Double Dipping

Planning Practice Guidance makes it clear under CIL paragraph 095 that “There should be no actual or perceived ‘double dipping’, with developers paying twice for the same item of infrastructure.”

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The very clear and obvious item on the CIL 123 list which is not required from the development through CIL is Dorset Heathland SPA as it is proposed to deal with this provision on site through the S106 process. It is clear from the information contained within ED08 that SANG land is being provided by the development and contributions to its management and maintenance as well as SAMMS are to be secured and delivered through the S106 process. This item on the 123 list therefore cannot be chargeable to site UE1 as CIL as it would result in 'double dipping'.

The CIL 123 list includes strategic education provision specifically at Carter Community School and Hillbourne School. Both of these schools are in excess of 4 km from UE1 and the site falls beyond the existing catchment areas of these schools. ED08 indicates that education contributions towards primary and secondary provision from site UE1 have been counted as a S106 obligation in the viability appraisal work. It therefore appears that any CIL charged could not be directed to education provision otherwise this would amount to actual 'double dipping' for education provision.

A further item on the CIL 123 list is Poole Harbour SPA with mitigation required towards Nitrogen offsetting to mitigate the impact of Algal mats formation in Poole Harbour. Site UE1 does not fall within the Poole Harbour SPA catchment and therefore cannot be reasonably required to contribute to this item on the CIL 123 list.

There are 3 of the 10 items on the CIL 123 list that would not be applicable to the strategic urban extension at site UE1 and these 3 items are high cost infrastructure items as set out in the Poole Infrastructure Plan (ED06). In view that these items of CIL are not chargeable to the development it seems entirely appropriate and equitable that a reduced CIL rate should therefore be applied to site UE1.

Local Precedent

Richborough also wish to draw attention to local examples of CIL charging in neighbouring authorities in Dorset where an approach of zero rating strategic allocations has been adopted. Evidence of this can be found in West Dorset District Council, East Dorset District Council, Christchurch Borough Council and Purbeck District Council. North Dorset District Council has yet to adopt its examined CIL charge but sought to propose a reduced rate CIL charge to its strategic allocation in Gillingham. A number of the strategic sites in these neighbouring authorities have either been through or are going through the planning application process and what is evident is that despite zero rating or reduced rating these sites for CIL many are failing to provide policy compliant contributions towards affordable housing. Adopting the proposed approach of charging CIL at a rate of £200 per sq m could have an adverse impact on the viability of UE1 which could consequently jeopardise delivery of a policy compliant contribution towards Affordable Housing as set out in the Draft Local Plan to 2033.

Reserved Position

We note with interest that when the issue of the introduction of a new evidence document (ED08) to the CIL examination process without consultation was raised, Borough of Poole responded on the 30th August 2018 and stated that *"The new evidence is simply a further explanatory document to confirm that the proposed relevant rates are justified and submitted to the examination for information purposes. It has not informed the Draft Charging Schedule and does not result in any change to it."*

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Borough of Poole are currently undertaking a consultation on a 'statement of modifications' which commenced 4 days after the above statement was made. Alongside the statement of modifications consultation Borough of Poole have also invited comments in response to the new evidence document ED08 stating "*The Council has published some new evidence in support of the proposed CIL charges. The document entitled "ED08 Further Strategic Site Testing of UE1 North of Merley and UE2 North of Bearwood" (June 2018) is part of the examination evidence. The Council would welcome any views upon this important piece of evidence, and will share any responses with the examiner.*"

We support this latter view that ED08 is a very important piece of evidence and requires full scrutiny. This response which includes some analysis of a new evidence document has been prepared in a limited period of time and a much shorter period than would normally be expected to respond to an important piece of evidence. We have endeavoured to provide a detailed response on the matter to ensure the Examiner and interested parties have the full opportunity to consider our comments but reserve our position to submit further analysis of ED08 via the Borough of Poole's current consultation which remains open until the 1st October 2018.

Conclusion and Recommendations

Strategic sites yield much higher delivery and promotion costs when compared to smaller developments. This, coupled with a diluted sales market as a result of the sheer scale of new dwellings coming forward in one location, mean that the overall viability of such sites should be accounted for and tested separately to the remainder of the Borough. CIL Guidance is clear in that to ensure development is not put at risk, differential rates for scale of development can be set.

We note that within document ED04, the Council suggest that *should a developer contest the viability of a scheme as part of a planning application, a viability assessment of the scheme should be submitted*¹. Rather than rely on this approach we consider the right time to test the impact of CIL with full policy requirements is at CIL Examination stage. It is therefore vital that the concerns raised relevant to additional modelling for sites UE1 and UE2 are considered when setting the levy for strategic sites.

This must also be considered in the context of the SUE's being released from Green Belt with the objective of providing family housing and affordable housing to demonstrate necessary exceptional circumstances. If the viability of the site is put at risk, as demonstrated above and in the Borough of Poole's own evidence, the implications on viability could invariably result in a reduction in affordable housing, the very purpose for releasing Green Belt through the Local Plan process in the first place.

On the basis of the comments above, Richborough Estates Ltd urge that the matters raised within previous representations and this statement are addressed by the Council and that adjustments to current Charging Zones are made to ensure that the levy, as proposed for sites UE1 and UE2, would not put at risk the viability, delivery of a significant number of dwellings or the level of affordable housing that can be provided on the strategic allocation.

¹ Para 45 of ED04