

## **CIL: Response to Examiner's Question (email from Programme Officer dated 25/9 17)**

The Examiner has considered the Council's response (received 22.9.17) to his most recent queries. He is concerned to see that, in respect of the Kings Hill site, the evidence that has now been submitted (which he appreciates relates to an evolving position) appears to suggest that the £13,000 assumption used for residual S106 costs for this site may be an underestimate. Given that this site has been identified as a separate charging area, it is important that the charging rate for that site is robustly justified with regard to viability. He therefore welcomes the Council's comments on whether there would be merit in (1) revisiting the appraisal for that site in the light of the updated information (which may need consideration of any contributions required by the neighbouring authority) and/or (2) reassessing the charging rate that is being proposed for that site in order to ensure that the scheme's viability is not unduly compromised.

### **†Further WDC comments on viability evidence regarding Kings Hill**

The Council's evidence regarding viability for Kings Hill relies on two documents:

- CIL7 (district-wide evidence prepared in 2016)
- CIL8 (evidence specific to Kings Hill prepared in 2015)

The relationship between these two documents is important in understanding the viability evidence and in this regard, the document submitted by the Council on 22<sup>nd</sup> September does not provide a complete picture.

This further note seeks to clarify this relationship. It explains that the Council's assumptions regarding the infrastructure costs and viability for Kings Hill are robust and why, as a result, the Council does not consider it necessary to revisit the appraisal of the site or to change the proposed charging rate.

Appendix 3 of CIL8 sets out the development appraisal assumptions for Kings Hill (repeated in the appendix to this paper). In this the following assumptions are made regarding infrastructure contributions:

- CIL (at £110/sqm): £25,080,000 (assuming average dwellings size of 95sqm)
- Section 106 (labelled "Statutory/LA"): £5,000/dwelling. Total £20,000,000
- Education provision to be secure through Section 106: £28,000,000
  
- Together these three sources allow for infrastructure contributions of £73,080,000.
  
- In addition, the appraisal allows for £20,000 per dwelling for onsite infrastructure. Total £80,000,000

CIL7 made some adjustments to the District-wide evidence that had been previously been updated in 2014. As a result of these adjustments, the CIL requirement for Kings Hill was reduced from £110/sqm to £55/sqm.

Despite this, the 2015 study (CIL8) remains up to date and robust and provides the correct site specific evidence for viability of development at Kings Hill. For this reason it is appropriate to continue with assumption that Kings Hill is able to contribute £73,080,000 towards infrastructure without compromising viability. The consequence of the adjustment made by CIL7 is that the breakdown of these contributions needs to be amended as follows:

- CIL (at £55/sqm): £12,540,000 (assuming average dwellings size of 95sqm)
- Section 106: £5,000/dwelling. Total £20,000,000
- Additional Section 106 (CIL converted to S106 due to the higher rate of CIL in CIL8): £12,540,000

- Education: £28,000,000
- Total £73,080,000

If CIL is excluded, this amounts to an assumption of Section 106 infrastructure contributions of £60,540,000 (£15,135 per dwelling). This compares directly with the estimated costs of infrastructure set out the document submitted by the Council in 22<sup>nd</sup> September of £54,400,000 to £57,400,000 (worst case £14,350 per dwelling). In other words, the Council's viability assumptions in CIL8 provide for at least an additional £3,140,000 (£785 per dwelling) towards section 106 infrastructure costs.

These figures are set out in full the appendix of this paper.

On this basis the Council considers that the development appraisal for Kings Hill remains robust and that the proposed CIL Charge of £55 per square metre is justified by the evidence.

Two other points are worth noting:

- a) In the paper submitted by the Council on 22<sup>nd</sup> September, the section 106 assumptions were based on £13,000 per dwellings as suggested by CIL7. This amounted to £52,000,000 for the whole site and indicated small potential shortfall. However, having consulted further with BNP Paribas Real Estate (the Council's viability consultants), it is clear that because this was a District-wide assessment, it under-estimates the viable level of Section 106 contributions that Kings Hill can make. Therefore the correct figures are those in CIL8 (as adjusted above) as these are bespoke to the site. BNP Paribas Real Estate have therefore compiled the spreadsheet appended to this paper to explain that position.
- b) Whilst there remains uncertainty regarding the level of Section 106 contributions that will be required for highways works in Coventry, it is unlikely this will exceed £8.5m which is the upper end of the range set out in the paper submitted by the Council on 22<sup>nd</sup> September. There is no suggestion that contributions above this will be required by the City Council.

David Barber

29/9/17

Appendix

**Warwick CIL**

| <b>Infrastructure</b>     | <b>Assumed Costs</b>    | <b>To funded through S106 (worst case)</b> | <b>Direct developer cost (funded from "infrastructure &amp; externals" allowance)</b> | <b>Items on Reg 123 list and funded through CIL</b> |
|---------------------------|-------------------------|--|---|---|
| Education                 | £28.0m                  | £28,000,000                                |   |   |
| Roads/Transport (WCC)     | £1.1m                   | £1,100,000                                 |   |   |
| Roads/Transport (CCC)     | £5.5 to £8.5m           | £8,500,000                                 |   |   |
| Open Space Provision      | £6.4m                   |  | £6,400,000  |   |
| Open Space Maintenance    | £16.8m                  | £16,800,000                                |   |   |
| Hospital                  | £1.0m                   |  |   | £1,000,000  |
| GP Surgery                | £1.0m                   | £1,000,000                                 |   |   |
| Sports and Swimming Pools | £3.3m                   |  |   | £3,300,000  |
| Community Centre          | £2.0m                   | £2,000,000                                 |   |   |
| Police                    | £1.1m                   |  |   | £1,100,000  |
| Site Access               | £3.0m                   |  | £3,000,000  |   |
| <b>Total</b>              | <b>£69.2m to £72.2m</b> | <b>£57,400,000</b>                         | <b>£9,400,000</b>   | <b>£5,400,000</b>                                   |

**£14,350 per unit S106**

**Allowances included in appraisal for Kings Hill:**

|              |                    |
|--------------|--------------------|
| Section 106  | £20,000,000        |
| CIL          | £25,080,000        |
| Education    | £28,000,000        |
| <b>Total</b> | <b>£73,080,000</b> |

Double the proposed rate, so half of this can be assumed to be used for S106

Total amount available in appraisal for S106, after converting the 50% 'overstatement' of CIL to S106

£60,540,000

£15,135 per unit S106, i.e. a surplus in comparison to the worst case figure of £14,350 above

## APPRAISAL SUMMARY

## BNP PARIBAS REAL ESTATE

### Site 2 Kings Hill Lane 4,000 units

#### Summary Appraisal for Phase 1

#### REVENUE

| Sales Valuation | m <sup>2</sup>    | Rate m <sup>2</sup> | Gross Sales        |             |
|-----------------|-------------------|---------------------|--------------------|-------------|
| Private houses  | 228,000.00        | £2,975.00           | 678,300,000        |             |
| Aff Rent        | 121,600.00        | £1,109.00           | 134,854,400        |             |
| Intermediate    | 30,400.00         | £2,035.00           | 61,864,000         |             |
| Totals          | <u>380,000.00</u> |                     | <u>875,018,400</u> | 875,018,400 |

#### NET REALISATION

875,018,400

#### OUTLAY

#### ACQUISITION COSTS

|  |  |       |            |            |
|--|--|-------|------------|------------|
| Residualised Price (269.20 Ha £247,820.57 pHect) |  |       | 66,713,299 |            |
| Stamp Duty                                       |  | 4.00% | 2,668,532  |            |
| Agent Fee  |  | 1.00% | 667,133    |            |
| Legal Fee  |  | 0.80% | 533,706    |            |
|  |  |       |            | 70,582,670 |

#### CONSTRUCTION COSTS

| Construction   | m <sup>2</sup>    | Rate m <sup>2</sup> | Cost               |             |
|----------------|-------------------|---------------------|--------------------|-------------|
| Private houses | 228,000.00        | £1,003.00           | 228,684,000        |             |
| Aff Rent       | 121,600.00        | £1,003.00           | 121,964,800        |             |
| Intermediate   | 30,400.00         | £1,003.00           | 30,491,200         |             |
| Totals         | <u>380,000.00</u> |                     | <u>381,140,000</u> | 381,140,000 |

|                                    |                           |                        |            |            |
|------------------------------------|---------------------------|------------------------|------------|------------|
| Developers Contingency             |                           | 5.00%                  | 23,057,000 |            |
| Statutory/LA                       | 4,000.00 units            | 5,000.00 /un           | 20,000,000 |            |
| CIL                                | 228,000.00 m <sup>2</sup> | 110.00 pm <sup>2</sup> | 25,080,000 |            |
| 4 x primary & 1 x secondary school |                           |                        | 28,000,000 |            |
|                                    |                           |                        |            | 96,137,000 |

#### Other Construction

|                            |                |               |            |            |
|----------------------------|----------------|---------------|------------|------------|
| Infrastructure & externals | 4,000.00 units | 20,000.00 /un | 80,000,000 |            |
|                            |                |               |            | 80,000,000 |