BNP PARIBAS REAL ESTATE

DACORUM BOROUGH COUNCIL CIL

Note on CIL Rates September 2014

1 INTRODUCTION

1.1 The Examiner, Mr Philip Staddon, has requested clarification on a number of matters prior to the hearing. This note addresses queries 4, 5 and 6 in the Examiner's Note to Dacorum Borough Council (the 'Council') dated 18 August 2014. For ease of reference we set out below these questions.

QUESTION 4. The Updated Viability Study (July 2013) includes a substantial number of residential development appraisal results. Ten different development types are tested in seven market areas and compared against four different land value benchmarks. Further results are generated by sensitivity testing variations in sales values, build costs and affordable housing content (less than the Core Strategy requires). Whilst this is all useful evidence, it inevitably includes many less relevant results such as modelling unlikely development types against benchmark land values that are not prevalent in certain locations. Could the Council clarify the most relevant results for CIL purposes, which will be those that, for a specific geographical location, are policy compliant and relate to the most likely development types compared to the most relevant benchmark land value?

QUESTION 5. Could the Council produce a summary table setting out the percentage viability buffers (above the proposed CIL rates) along with the CIL charges expressed as a percentage of development costs for the key appraisals (the distilled set from Question 4) and the appraisals for the strategic sites?

QUESTION 6. The Updated Viability Study (July 2013) includes Table 6.16.1 which sets out 'maximum CIL indicated by appraisals'. Could the Council explain how the appraisal results have been selected and used to define these maximum rates?

2 RESPONSE TO QUESTION 4 – MOST RELEVANT RESULTS

2.1 We set out below the results of the viability testing exercise as presented in section 6 (Assessment of the Results) in the Updated Viability (July 2013) ('UVS'), as requested we highlight in yellow within these tables what we consider to be the most pertinent results, which have informed our recommendations in the rate setting process.

2.2 **Development typology 1** (2 houses) is likely to take place across the Borough as infill development and in this regard is likely to come forward on sites in Benchmark Land Value ('BLV') 1 (residential land value). This typology does not trigger the requirement for affordable housing. We set out the results on this typology in table 2.2.1 below.

2.3 **Development Typology 2** (9 houses) is also likely to take place across the Borough and could come forward on all four land uses across the borough, however within the larger urban areas it is more likely that the existing use will be BLVs 2,3 and 4 i.e. commercial, community uses or greenfield sites. The results from these appraisals have been separated as developments in Hemel Hempstead (table 2.3.1) would not be required to provide affordable housing as the threshold is 10 units, whereas developments elsewhere in the borough (table 2.3.2) would be required to provide 35% affordable housing.

Table 2.2.1 Site type 1 (2 houses) - maximum viable rates of CIL (£s per square metre) (UVS Ref: Table 6.8.1)

Market Area	Existing use: Resi Land District Valuer Services (VOA)	Existing use: Offices	Existing use: Industrial / warehousing	Existing use: community bldgs
1	650	650	650	650
2	350	650	650	650
3	100	400	550	650
4	Not Viable (NV)	NV	60	300
5	400	650	650	650
6	100	400	550	650
7	600	650	650	650

Table 2.3.1: Site type 2 (9 houses in Hemel Hempstead[1]) - maximum viable rates of CIL (£s per square metre) (UVS Ref: 6.9.1)

Market Area	Existing use: Resi Land (VOA)	Existing use: Offices	Existing use: Industrial / warehousing	Existing use: community bldgs
3	260	450	550	650
4	NV	0	100	220
5	550	650	650	650

% [1] This includes a payment in lieu towards affordable housing, calculated using Dacorum Borough Council's formula set out in the Affordable Housing SPD

Table 2.3.2: Site type 2 (9 Houses everywhere else) - maximum viable rates of CIL[2] (£s per square metre) (UVS Ref: 6.10.1)

Market Area	Existing use: Resi Land (VOA)			Existing use: Offices			Existing use: Industrial / warehousing			Existing use: community bldgs		
Affordable hsg %	*35%*	*30%*	*25%*	*35%*	*30%*	*25%*	*35%*	*30%*	*25%*	*35%*	*30%*	*25%*
1	650	650	650	650	650	650	650	650	650	650	650	650
2	400	500	550	650	650	650	650	650	650	650	650	650
6	100	180	260	400	450	500	550	550	600	650	650	650
7	650	650	650	650	650	650	650	650	650	650	650	650

2.4 **Development Typology 3** (15 flats) is also likely to take place across the Borough and could come forward on all four land uses across the borough, however within the larger urban areas it is more likely that the existing use will be BLVs 2,3 and 4 i.e. commercial, community uses or greenfield sites.

Table 2.4.1: Site type 3 (15 flats) - maximum viable rates of CIL (£s per square metre) (UVS Ref: 6.10.2)

Market Area	Existing use: Resi Land (VOA)			Existing use: Offices			Existing use: Industrial / warehousing			Existing use: community bldgs		
Affordable hsg %	*35%*	*30%*	*25%*	*35%*	*30%*	*25%*	*35%*	*30%*	*25%*	*35%*	*30%*	*25%*
1	260	350	400	400	500	550	500	550	600	650	650	650
2	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV
3	NV	NV	NV	NV	NV	NV	NV	NV	0	0	100	140
4	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV
5	NV	NV	NV	NV	0	100	0	100	140	180	220	260
6	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV
7	NV	NV	NV	NV	0	60	0	60	100	140	180	220

[2] NV = Site is not viable before CIL is applied. These results are disregarded for the purpose of recommended CIL rates, as the sites would remain in their current use, unless other (non-CIL related) factors were to change.

2.5 **Development Typology 4** (25 houses) is also likely to take place across the Borough and is most likely to come forward on sites in BLVs 2,3 and 4 i.e. commercial, community uses or greenfield sites.

Table 2.5.1: Site type 4 (25 houses) - maximum viable rates of CIL (£s per square metre) (UVS Ref: 6.10.3)

Market Area	Existing use: Resi Land (VOA)			Existing use: Offices			Existing use: Industrial / warehousing			Existing use: community bldgs		
Affordable hsg %	*35%*	*30%*	*25%*	*35%*	*30%*	*25%*	*35%*	*30%*	*25%*	*35%*	*30%*	*25%*
1	650	650	650	650	650	650	650	650	650	650	650	650
2	140	220	260	500	550	600	650	650	650	650	650	650
3	NV	NV	0	220	260	300	400	450	450	650	650	650
4	NV	NV	NV	NV	NV	NV	NV	NV	NV	180	220	260
5	140	220	260	500	550	600	650	650	650	650	650	650
6	NV	NV	0	220	260	300	400	450	400	650	650	650
7	400	450	500	650	650	650	650	650	650	650	650	650

2.6 **Development Typology 5** (40 houses) is likely to take place in Hemel Hempstead and the market towns of Berkhamsted and Tring and is most likely to come forward on sites in BLVs 2,3 and 4 i.e. commercial, community uses or greenfield sites.

Table 2.6.1: Site type 5 (40 houses) - maximum viable rates of CIL (£s per square metre) (UVS Ref: 6.10.4)

Market Area	Existing use: Resi Land (VOA)			Existing use: Offices			Existing use: Industrial / warehousing			Existing use: community bldgs		
Affordable hsg %	*35%*	*30%*	*25%*	*35%*	*30%*	*25%*	*35%*	*30%*	*25%*	*35%*	*30%*	*25%*
1	650	650	650	650	650	650	650	650	650	650	650	650
2	500	600	650	650	650	650	650	650	650	650	650	650
3	260	300	350	500	500	550	600	650	650	650	650	650
4	NV	NV	NV	0	0	80	100	140	180	300	300	350
5	550	600	650	650	650	650	650	650	650	650	650	650
6	260	300	350	500	500	550	600	650	650	650	650	650
7	650	650	650	650	650	650	650	650	650	650	650	650

2.7 **Development Typologies 6** (50 flats) is most likely to take place in Hemel Hempstead and possibly in Berkhamsted and is most likely to come forward on sites in BLVs 2,3 and 4 i.e. commercial, community uses or greenfield sites.

Table 2.7.1: Site type 6 (50 flats) - maximum viable rates of CIL (£s per square metre) (UVS Ref: 6.10.5)

Market Area	Existing use: Resi Land (VOA)			Existing use: Offices			Existing use: Industrial / warehousing			Existing use: community bldgs		
Affordable hsg %	*35%*	*30%*	*25%*	*35%*	*30%*	*25%*	*35%*	*30%*	*25%*	*35%*	*30%*	*25%*
1	140	220	260	260	350	400	350	400	450	450	500	550
2	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV
3	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	0
4	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV
5	NV	NV	NV	NV	NV	NV	NV	NV	0	0	80	100
6	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV
7	NV	NV	NV	NV	NV	NV	NV	NV	0	NV	0	100

2.8 **Development Typologies 7 and 8** (70 flats and 100 flats respectively) are most likely to take place in Hemel Hempstead and is most likely to come forward on sites in BLVs 2,3 and 4 i.e. commercial, community uses or greenfield sites.

Table 2.8.1: Site type 7 (70 flats and houses 70 uph) - maximum viable rates of CIL (£s per square metre) (UVS Ref: 6.10.6)

Market Area	Existing use: Resi Land (VOA)			Existing use: Offices			Existing use: Industrial / warehousing			Existing use: community bldgs		
Affordable hsg %	*35%*	*30%*	*25%*	*35%*	*30%*	*25%*	*35%*	*30%*	*25%*	*35%*	*30%*	*25%*
1	350	400	500	500	550	600	550	600	650	650	650	650
2	NV	0	80	80	140	180	140	220	260	260	300	350
3	NV	NV	NV	NV	NV	NV	NV	NV	0	0	80	140
4	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV
5	NV	0	80	80	140	180	140	220	260	260	300	350
6	NV	NV	NV	NV	NV	NV	NV	NV	0	0	80	140
7	60	140	180	180	260	300	260	300	400	400	450	500

Table 2.8.2: Site type 8 (100 flats 100 uph) - maximum viable rates of CIL (£s per square metre) (UVS Ref: 6.10.7)

Market Area	Existing use: Resi Land (VOA)			Existing use: Offices			Existing use: Industrial / warehousing			Existing use: community bldgs		
Affordable hsg %	*35%*	*30%*	*25%*	*35%*	*30%*	*25%*	*35%*	*30%*	*25%*	*35%*	*30%*	*25%*
1	140	220	300	260	350	350	300	400	450	400	450	500
2	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV
3	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV
4	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV
5	NV	NV	NV	NV	NV	NV	NV	NV	0	NV	0	80
6	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV
7	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	0	0

2.9 **Development Typology 9** (100 houses and flats) is likely to take place in Hemel Hempstead and possibly in the market town of Berkhamsted and is most likely to come forward on sites in BLV 4 i.e. greenfield sites.

Table 2.9.1: Site type 9 (100 flats and houses 30uph) - maximum viable rates of CIL (£s per square metre) (UVS Ref: 6.10.7)

Market Area	Existing use: Resi Land (VOA)				Existing use: Offices				Existing use: Industrial / warehousing				Existing use: community bldgs			
Affordable hsg %	*40%*	*35%*	*30%*	*25%*	*40%*	*35%*	*30%*	*25%*	*40%*	*35%*	*30%*	*25%*	*40%*	*35%*	*30%*	*25%*
1	NV	NV	NV	NV	60	140	220	300	260	350	400	450	600	650	600	650
2	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	0	60	180	260	300	350
3	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	0	60	100
4	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV
5	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	0	60	180	260	300	350
6	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	0	60	100
7	NV	NV	NV	NV	NV	NV	NV	0	NV	60	100	180	300	350	400	450

2.10 **Development Typology 10** (500 houses and flats) is likely to take place in Hemel Hempstead and is most likely to come forward on sites in BLV 4 i.e. greenfield sites.

Table 2.10.1: Site type 10 (500 flats and houses)- maximum viable rates of CIL (£s per square metre) (UVS Ref: 6.10.9)

Market Area	Existing use: Resi Land (VOA)				Existing use: Offices				Existing use: Industrial / warehousing				Existing use: community bldgs			
Affordable hsg %	*40%*	*35%*	*30%*	*25%*	*40%*	*35%*	*30%*	*25%*	*40%*	*35%*	*30%*	*25%*	*40%*	*35%*	*30%*	*25%*
1	NV	NV	NV	NV	NV	0	140	220	140	260	300	350	500	550	600	650
2	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	100	140	220	260
3	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	0
4	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV
5	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	100	140	220	260
6	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	0
7	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	0	100	220	300	350	400

3 RESPONSE TO QUESTION 5 - VIABILITY BUFFERS AND CIL CHARGES AS A PERCETNAGE OF DEVELOPMENT COSTS

Table 3.1 Summary of Viability Buffers – Typology Appraisals

Market Areas	Maximum CIL indicated by appraisals (£s per sqm)	CIL Rate Proposed in Draft Charging Schedule (£per sqm)	Buffer
Area 1 Berkhamsted, Potten End and Little Gaddesden	350	250	29%
Area 2 Tring, Wigginton, Long Marston, Flamstead, Great Gaddesden, and Gaddesden Row	200	150	25%
Area 3 Hemel Hempstead (Hemel Central, Adeyfield, Bennetts End, Gadebridge, Apsley)	150	100	33%
Area 4 Hemel Hempstead (Highfield , Grovehill and Woodhall)	100	100	0%
Area 5 Hemel Hempstead Station, Boxmoor, Chaulden, Felden, and Leverstock Green	200	100	50%
Area 6 Markyate	150	100	33%
Area 7 Kings Langley, Chipperfield and Bovingdon	300	150	50%

Table 3.2 Summary of CIL Charges as a Percentage of Gross Scheme Value and Development Costs[3] - Typology appraisals

Typology	**Area 1** - Berkhamsted, Potten End and Little Gaddesden	**Area 2** - Tring, Wigginton, Long Marston, Flamstead Great Gaddesden, and Gaddesden Row	**Area 3** - Hemel Hempstead (Hemel Central, Adeyfield, Bennetts End,Gadebridge, Apsley)	**Area 4** - Hemel Hempstead North (Highfield, Grovehill and Woodhall)	**Area 5** - Hemel Hempstead Station, Boxmoor, Chaulden, Felden, and Leverstock Green	**Area 6** - Markyate	**Area 7** - Kings Langley, Chipperfield and Bovingdon
DCS CIL Rate	**£250 psm**	**£150 psm**	**£100 psm**	**£100 psm**	**£100 psm**	**£100 psm**	**£150 psm**
Site type 1	6.36%	4.65%	3.44%	4.22%	3.1%	3.44%	4.29%
Site type 2	5.3%	3.79%	3.44%	4.22%	3.1%	2.35%	3.53%
Site type 3	6.47%	5.04%	3.15%	4.58%	3.01%	3.36%	4.59%
Site type 4	4.5%	3.21%	2.35%	2.8%	2.14%	2.35%	2.99%
Site type 5	5.28%	3.77%	2.76%	3.29%	2.52%	-	-
Site type 6	6.87%	-	3.35%	4.87%	3.2%	-	-
Site type 7	-	-	3.2%	3.8%	2.93%	-	-
Site type 8	-	-	3.58%	5.2%	3.42%	-	-
Site type 9	5.33%	-	2.66%	3.15%	2.43%	-	-
Site type 10	-	-	2.66%	3.15%	2.43%	-	-
AVERAGE	**5.73%**	**4.09%**	**3.06%**	**3.93%**	**2.84%**	**2.88%**	**3.85%**

[3] The percentages here assume that CIL is levied on 15% of floorspace of the development and excludes affordable housing, which benefits from social housing relief.

Table 3.3 Summary of CIL Charges as a Percentage of Gross Scheme Value and Development Costs - Strategic Site[3]

Strategic Site	Recommend CIL Rate (£ per sq m)	CIL Rate as % of Development Costs
Marchmont Farm	100	3%
Old Town	100	2.9%
West Hemel Hempstead	0	0.0%
Land at Hanbury's	250	6.6%
Icknield Way	150	3.9%
Chesham Road	150	3.7%
Spencer's Park	0	0.0%
Land at Durrants Lane/Shootersway	250	5.9%
Land at Hicks Road	100	3.2%
Hemel Hempstead Town Centre	100 (Residential) & 150 (Supermarket)	2.9%

4 RESPONSE TO QUESTION 6 – EXPLAINATION OF MAXIMUM CIL RATES

4.1 In determining the maximum CIL rates for each area, we considered the likely uses that the bulk of sites coming forward in the area are expected to be coming from i.e. which benchmark to consider the results of. We then focused on these results more than others (there is not a precise science in terms of weighting). We have also focused on the results with 35% affordable housing, in line with the Council's Policy requirement. We understand from the Council that the majority of their future housing supply is expected to come forward as houses and not flats, consequently we have placed less reliance on the results of flatted developments. We have highlighted the key appraisal results in yellow in Section 2, which we took into consideration when determining the maximum CIL rates and guided our recommended CIL charges to the Council. We have also been mindful of the likely impact of the CIL charges and in this regard have sought to recommend charges that adopt an appropriate buffer from the maximum rates to allow for site specific differences. In considering the impact of such charges we have also analysed the likely CIL charges against the gross scheme value and development costs, which are typically circa 5% or less of development costs, and in this regard are considered unlikely to have a significant impact on development viability or a developers' decision to bring the scheme forward.

4.2 We have disregarded schemes which are identified in our assessment as being unviable before the application of CIL. We note that the Examiner's Report on the London Borough of Newham's Draft CIL Charging Schedule he identifies at para 16 that, *'As stated in the Viability Study, if a scheme is not viable before CIL is levied it is unlikely to come forward and CIL is, therefore, unlikely to be a material consideration in any development decision. Consequently, the Viability Study, sensibly in my view, did not factor in unviable schemes in recommending appropriate rates.'*