

CENTRAL LANCASHIRE COMMUNITY INFRASTRUCTURE LEVY

EXAMINATION

Inspector: Simon Berkeley BA MA MRTPI

Please direct all communications to: Tony Blackburn, Programme Officer, 15 Ottawa Close, Blackburn,

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Tel: 01254 260286

Steven Brown
Central Lancashire LDF Coordinator

20 February 2013

Dear Mr Brown

Examination of the Central Lancashire Community Infrastructure Levy

Further to your submission of the above, I have now had the opportunity to review the schedules and other documents. I would wish to raise a number of questions and comments with you now before I set out my issues for examination. I have numbered the paragraphs below for ease of future reference.

1. Firstly, I would be grateful if you could confirm that I have been provided with all of the evidence related to viability testing. Do I have all of the detailed viability appraisal work undertaken? Numerous spreadsheets are often provided to CIL examinations, showing the variable inputs tested and the associated outcomes. The viability reports refer to appraisals on Microsoft Excel being on a disc. I do not appear to have been given information of this sort.

The methodology

2. As I understand things, the methodology uses 'typical' or 'average' values for a number of factors, including land values and unit size. Sometimes, viability assessments are undertaken using the range of variables involved, applied in the various possible combinations, rather than relying on typical values. This has advantages in that worst case scenarios can be readily discerned and the degree to which a viability 'buffer' may be necessary can be established. This is a question of testing the sensitivity of viability to the assumptions made. How does your evidence demonstrate this? Does it show the extent to which divergences from the assumptions would impact on the viability of schemes? What level(s) of 'buffer' do the proposed levy rates allow for?
3. The residential assessment calculates the residual margin as a percentage of cost. How does this equate to a percentage of Gross Development

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Value? It would greatly assist the examination process if you would run at least a sample of appraisals on this basis, and provide to me an analysis of the outputs and the implications for viability.

4. I understand that the revised viability assessments in the addendum reports take full account of the contribution to affordable housing required by Policy 7 of the Core Strategy. Is that right – has a level of 30% affordable housing in the urban parts of Preston, South Ribble and Chorley, and of 35% in rural areas on sites in or adjoining villages, been included in the calculations?
5. Have all other development plan policies which could potentially impact on viability similarly been taken into account? On this point, I particularly note the requirements of Core Strategy Policy 27 in relation to the Code for Sustainable Homes, BREEAM standards and the incorporation of either additional building fabric insulation measures or decentralised, renewable or low carbon energy sources.
6. What levels of contingencies have been factored into the appraisals? For example, a contingency of around 3-5% on build costs is often used.
7. In general terms, do the viability appraisals take local factors into account, such as the types and sizes of sites likely to come forward, including both previously developed and greenfield land, and the size of residential and retail units anticipated? In short, how have local circumstances been reflected in the 'reference case' and other scenarios considered?
8. Similarly, I have some uncertainty about the elements of the viability assessments which draw on up to date, local information. It would be helpful if you could produce a list of the data inputs used, such as the land prices for the various uses, the unit sizes and building densities, and reference for each their date and source, clarifying if necessary whether the information refers specifically to local circumstances.

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The residential rates

9. In effect, across the three local authority areas, three residential rates are proposed, one for dwelling houses, one for dwelling houses in the Inner Preston Zone, and one for apartments.

The general dwelling house levy

10. The initial viability reports for each local authority area make numerous assumptions in relation to factors such as land prices, dwelling sizes etc. The addendum reports 'refine' this evidence and apply different assumptions in the light of consultation. For the avoidance of doubt, does this mean that the Councils now consider the original appraisals to be wholly superseded, such that I should focus solely on the evidence of the addendum reports (aside from in relation to matters such as methodology)?
11. I note that the land costs have been derived from Valuation Office Agency reports which only provide information for Liverpool and Manchester, and that assumptions have been made taking account of Central Lancashire VOA data from 2009 and factoring in changes in market conditions. A number of representors have criticised the land values arrived at through this process, arguing that they are significantly higher. Is this methodology sufficiently robust? Does it take into account all reasonably available evidence? Is the 'reference case' value of £750,000 per hectare reasonably representative of land prices in the charging area?
12. I also note that a higher land cost of £900,000 per hectare has been used to assess higher value areas. For clarification, does 'higher value areas' mean the more salubrious or desirable parts of the charging area where higher sales values could be expected? Have viability appraisals been undertaken across a range of value areas?

The Inner Preston Zone levy

13. From the plans provided to me, it is not entirely clear how the proposed zone boundary relates to the different average sale prices shown on the 'heat map'. Consequently, I cannot be sure whether the zone follows certain average price boundaries or straddles them. Please would you provide a map which clearly shows both the average sale price areas and

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the proposed charge zone boundary.

14. The viability assessment takes a one hectare hypothetical site. Is this size of site reasonably representative of those expected to come forward in Inner Preston?

15. A land cost of £550,000 per hectare has been assumed. What evidence is there to demonstrate that this is a reasonable assumption for Inner Preston?

The levy for apartments

16. I am unclear about the justification for applying a different levy rate for apartments. I may have missed something, but I cannot see any viability appraisal of apartments as distinct from dwelling houses. Has one been undertaken? Please would you clarify the position.

The retail rates

17. Effectively, the proposed levy divides retail development into three types, namely convenience retail, neighbourhood convenience stores, and retail warehouses and parks. I have strong concerns about this.

18. I turn firstly to convenience stores. 'Neighbourhood convenience stores' are defined as those selling convenience goods, but because they are eligible to trade for longer than six hours on Sundays, they stock a restricted range of goods, and have a different customer spend profile based on top up shopping. How would the charging authorities decide, on a case by case basis, whether the premises concerned would stock 'a restricted range of goods'? What is meant by 'restricted'? It seems to me that some smaller shops of the type you may have in mind sell quite a decent range of products. How would the charging authorities be able to demonstrate what the customer spend profile of such a premises would be?

19. Given these problems, it strikes me that in practice you would rely purely on whether the store would be eligible to trade over six hours on Sundays.

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This largely turns on the size of the store. But what is the difference in the use of a convenience store which is less than 280 square metres and one which is larger? Moreover, what evidence is there to show that 280 square metres is the threshold at which a change in the viability of convenience stores occurs in this charging area?

20. I have similar concerns in relation to differentiating between convenience retail and retail warehouses and parks. While the two types of premises sell different things, what is the difference in their intended use in the terms of the Regulations? How would the charging authorities determine the 'main' use in each case? Perhaps more importantly, what evidence is there to demonstrate the difference in their viability?

The rate for 'all other uses'

21. Have 'all other uses' which could possibly incur the levy been subject to viability testing? If they have not, perhaps this category should be altered to refer specifically to those uses which are supported by viability evidence.

I look forward to your response to these points, which I would be grateful to receive at the earliest opportunity. If you would give an indication of your thoughts in terms of potential hearing dates, likely duration and venue, that would also be of great assistance.

Yours sincerely

Simon Berkeley

Examiner