

# Greater Norwich Development Partnership

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## **Community Infrastructure Levy Developer Forum Summary of Question and Answer Panel 10 May 2011, UEA Sportspark**

This note provides a summary of the Question and Answer panel at the Community Infrastructure Levy Developer Forum, 10 May 2011. The presentations given at this meeting is attached to this note, together with a list of attendees.

### *What is the basis for Charging CIL?*

CIL is a charge per sqm based on gross internal floor space of new buildings

### *Why is there a discrepancy between commercial and residential CIL?*

The market for commercial development is small and viability is much more challenging

### *Are there allowances/ incentives for green development?*

The Viability Study takes account of Code for Sustainable Homes Levels 3 and 4 and BREEAM standards. The Government is reviewing standards, and research suggests costs of meeting higher standards will come down..

### *How will CIL be negotiated?*

CIL is a standard charge, applicable to any new development, and is calculated at reserve matters. CIL breaks the link between infrastructure and development but there are strict reporting arrangements to demonstrate how CIL is spent so communities and developers will have a clear understanding of how CIL is spent. The local planning authorities and the County Council want to continue to work in partnership to ensure needed infrastructure is delivered. The authorities are continuing to look at the split between S106 and the so called 'Regulation 123' infrastructure list. The list may vary between districts.

### *When will it be paid?*

The Government has stated that councils are able to consider a flexible payment system with interim payments and that phases of a large development can be considered separately. The authorities will be looking at the payment system in more detail.

### *To what extent do you see the link being broken between infrastructure and development and how will this impact on developments – will permission be given for a development without the infrastructure in place to support it?*

Some infrastructure will still be delivered though Section 106, for example site access.

### *Will there be a prioritised infrastructure list in the charging schedule?*

Prioritisation of infrastructure takes place through the Local Investment Plan and Programme (LIPP) process, which will constantly be updated. There will

also need to be a clear, short-term business plan for infrastructure delivery that the authorities will sign up to.

*How will strategic infrastructure on-site be funded? Under the current system free land transfer is expected?*

Free land transfer is expected to continue. There will be no double counting. If significant infrastructure is removed from the 'Regulation 123' list to be paid for by S106, the overall infrastructure bill will go down and there will be an impact on viability. This will be reflected in the CIL charge.

*How does neighbourhood funding work?*

A 'meaningful proportion' will be transferred to parishes to spend on infrastructure that the community prioritises (This will be ring-fenced in the CIL). What a 'meaningful proportion' is will be determined by the Government following consultation in the summer.

*Will a flat-rate of CIL inhibit small brownfield sites coming forward?*

The authorities have asked GVA to review this issue. DCLG guidance is clear that viability evidence needs to be prepared on an area-wide approach and it has to be based on broad assumptions. The work looked at a number of typologies and brownfield and Greenfield enabling costs. The proposed CIL allows a majority of sites to be viable, the sites that are not viable may never be. The regulations allow for 3 exceptions from CIL. The first and second involve charitable relief, the third offers relief the S106 bill is larger than CIL but this would occur in all sites when affordable housing is considered. At this point we are assuming that discretionary exceptions will not be offered. The fundamental principle underlying this is the European competition regulations which state that relief cannot be received of more than 200,000 euros in any rolling 3 year period, this discounts most national developers.

*What percentage of CIL will be raised from residential development?*

Nearly 100% - commercial development does not contribute a significant amount.

*How will exemplars be treated?*

CIL regulations have to be based on area-wide viability. The reality is that costs will be different and that land value will be impacted. Where viability is challenged, this is where the HCA's enabling role can be considered.

*What is the mechanism for forward funding of infrastructure?*

The authorities are looking at the option of borrowing to fund infrastructure upfront. CIL can be used to pay borrowing costs (though not to borrow against).

*Will CIL cover maintenance?*

This will be an issue covered by changes to the CIL regulations next year. The expectation is that the regulations will allow CIL to be used for maintenance.

*If infrastructure is not delivered on land provided by free transfer will it pass back to the developer?*

Existing rules around land transfer will continue to apply.

*Does CIL cover public transport?*

Yes

*Will community development be exempt?*

No. CIL is applicable to all new development. It is anticipated that a lower rate of CIL will be charged for other types of development – CIL charged on community development can be used to fund that development.

*CIL will be 150,000 per acre for 10 dwellings – won't this squeeze the affordable housing provision?*

CIL only applies to market dwellings, using the example of 10 dwellings an acre, only seven will be charged CIL.

### **Post meeting update:**

At the meeting Phil Morris indicated that the Regs were not entirely clear about what happened where CIL is adopted in between the granting of outline planning permission (with an associated S106) and reserved matters. Reg 8 implies that such development would be liable for CIL. Subsequent discussion with CLG confirms that this is not the case and Reg 128 is intended to provide exemption from CIL for development relating to outline permissions granted prior to CIL adoption.

### **In attendance**

<b>Name</b>		<b>Organisation</b>
Jeremy	Aldous	Peter Colby Commercial
Ciaran	Allen	GVA
Carole	Baker	South Norfolk Council
Amy	Baxter	Greater Norwich Development Partnership
Roger	Burroughs	Broadland District Council
Colin	Campbell	Savills
Rebecca	Carriage	Mills & Reeve
Ruth	Charles	Greater Norwich Development Partnership
Paul	Clarke	Bidwells
Helen	Cooksey	
David	Copeland	Beyond Green
Michael	Cramp	Flagship Housing
Alexander	Dade	
Caroline	Dean	Mills and Reeve
Akin	Durowoju	Homes and Communities Agency
Stephen	Faulkner	Norfolk County Council
Kevin	Garnham	K Garnham Technical Services
Mike	Goulding	Homes and Communities Agency
Tina	Gratton	

<b>Name</b>		<b>Organisation</b>
James	Gratton	
Liz	Hovey	Oak Square Architectural Design
Jim	Howard	Keys Commercial
Anthony	Hudson	Hudson Architects
Oliver	Hunt	Capital Shopping Centres
Jane	Hunting	Richard Pike Associates
Alan	Irvine	
Hugh	Ivins	
Trevor	Ivory	Howes Percival
Mr	Jalil	
Mrs	Jalil	
Jonathan	Jennings	Pegasus Planning Group
Gwyn	Jones	Norwich City Council
Martin	Kemp	M P Kemp Ltd
Nicole	La Ronde	Ingleton Wood
Helen	Lambert	Greater Norwich Development Partnership
Andrew	Leeder	
Andrea	Long	Broads Authority
James	Macdonald	LSI Architects
Chris	Marsden	M P Kemp Ltd
Jerry	Massey	Norwich City Council
James	Montgomery	Purcell Miller Tritton LLP
Phil	Morris	Norfolk County Council
Jacqueline	Mulliner	Terence O'Rourke
Daniel	Palman	Nathaniel Lichfield & Partners
Mark	Philpot	Ingleton Wood
Melys	Pritchett	Savills (Nottingham)
Andy	Radford	South Norfolk Council
Ian	Reid	City Gate Developments
Ray	Ricks	Boyer Planning
Suzanne	Sale	Norfolk County Council
Andy	Scales	NPS
Graham	Smith	Landmark Associates
Christopher	Smith	Hopkins Homes
Tony	Tann	Youngs Homes
Mike	Taylor	GVA
David	Thompson	LSI Architects
Chris	Trett	South Norfolk Council
Malcolm	Vincent	Vincent Howes Chartered Surveyors
Neil	Warren	Pelham Holdings

## Greater Norwich Development Partnership

### Community Infrastructure Levy Developer Forum

10 May 2011, UEA SportsPark

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## Agenda

- Introduction
- Viability appraisals
- Viability evidence
- Preliminary draft charging schedule – summary
- Next steps and timetable
- Question and answer panel

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## What is CIL?

- A levy on all built development of at least 100m<sup>2</sup> (into which people normally go)
- Affordable housing is exempt
- To fund infrastructure needed to support the development of the area
- Must be set at £ per m<sup>2</sup>
- Rates must be derived from viability evidence

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## Where are we nationally?

- CIL Regs 2010
- CIL Regs 2011
- Localism Act 2012 (consultation summer 2011)

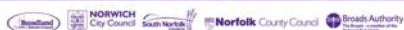
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## What is required to introduce CIL?

- A Core Strategy
- Infrastructure evidence and a funding gap
- A charging schedule derived from viability evidence

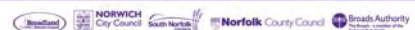
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## CIL Charging Schedule

- Essentially a table of charges per m<sup>2</sup>
- Charges can vary by type of development and by zone (for residential)
- 3 schedules – co-ordinated not joint?

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## 2 charging zones?



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## CIL Rates

- Based on GVA advice
- Looking carefully at rates, particularly residential
- Feedback from Focus group
  - Sliding scale? (probably not allowed)
  - Impact of average dwelling size

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## Supporting the Charging Schedule

We will also clarify:

- Administration and delivery
- Neighbourhood funding
- Discretionary relief
- Instalment policy
- Infrastructure funded by CIL (the "Reg 123 list")
- Transitional arrangements

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## What will be CIL funded? (Reg 123)

- Starting principle to minimise S106 (or S278 or conditions) for infrastructure
- Off site infrastructure generally CIL funded – some specific exceptions
- Some on-site S106 funded – mainly infrastructure that is part of the normal design e.g. site access, playspace
- Land transfer, affordable housing still S106

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## Transitional arrangements

- Proposal: on adoption, CIL would apply to all compliant planning permissions that do not have a signed S106 agreement

### WHY?

- Consultation summer 2011 gives 9 months notice of adoption
- Ltd pooling of S106 after CIL adoption – potential for key S106s to be unenforceable
- No general exceptions to CIL after adoption – potential for legal challenge?

### BUT

- Added complication - S106 on outline pp, CIL on reserved matters – need to renegotiate S106s signed before adoption?

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## Next steps

- Publish additional Green Infrastructure evidence
- Ongoing engagement with Focus Group
- Summer 2011 - charging schedule consultation
- Autumn 2011 – submission
- Winter 2011/12 – examination
- Spring 2012 - adoption

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**Objectives**



- Increase housing supply
- Increase affordable housing
- Regeneration
- Existing stock


**East & South East**

Smaller HCA  
6 local areas  
Transparency  
Enabling  
Investing  
Supporting  
Regulation  
Localism



**More for Less and Different 1.**

- Better Value from NAHP
- Viability assessments
- Master planning
- Public Sector land
- Supporting s106 negotiations
- Brokering
- Business Planning
- Procurement
- Mortgage lenders
- Training and Capacity building



**More for Less and Different 2.**

- Policy Guidance
- Legal Expertise
- Project Management
- Design and Sustainability
- Gypsy and Traveller
- Signposting/Sharing good practice
- Financial Options
- New Investment Models
- Existing stock
- Reinvest locally



### More for Less *and* Different 3

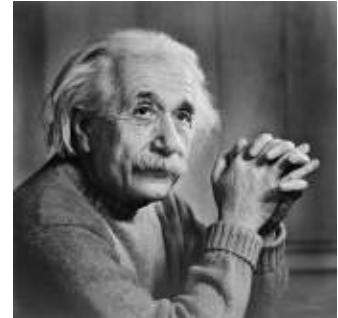


- Public and Private Sector Land
- No increase in Public Capital Costs
- Increased land value
- Limited or zero NAHP invested
- Increase affordable housing output
- Provide a capital value to LA
- Revenue income in perpetuity
- Range of tenures providing choices
- First Time Buyers purchasing at less than Target Rent levels
- 100% Nominations to local authority
- Quality design and sustainability
- Improved returns for house builders
- Innovative approach

### Quote



*No problem can be solved by the same consciousness that created it; we need to see the world anew.*  
**Albert Einstein**





GVA

10th May 2011

# GNDP CIL Viability

Developer Forum

Mike Taylor & Ciaran Allen



[gva.co.uk](http://gva.co.uk)



# Introductions

**Mike Taylor**

Director

**Ciaran Allen**

Development Surveyor



## Structure

- Overview of Dec 2010 Viability Advice
- Establishing the Charging Zones
- Brief
- Detail of Work
- DCLG Advice
- Residential
- Commercial
- Retail
- Summary & Map



# Viability Advice on CIL/Tariff for Broadland, Norwich & South Norfolk

(December 2010)



## Brief

- Assess economic viability of introduction of CIL/tariff levy to growth area;
- Examine CIL/tariff charging levels – time/geography;
- Test residential and commercial schemes;
- Assess viability within plan period aligned to infrastructure needs assessment;
- Advise on potential accountable body/delivery vehicle; and
- Provide a clear, robust evidence base.



# Results & Recommendations

## *Recommended Residential CIL / Tariff Levels*

Market Value Area	Per Private Dwelling	Per Sq M
Central	£20,000	£225
Inner	£15,000	£170
A11	£17,500	£195
Outer	£7,500	£85

## *Recommended Commercial and Retail CIL / Tariff Charges*

Market Value Area	Office per sq m (GIA)	Industrial / Warehousing per sq m (GIA)		Retail Warehousing per sq m (GIA)	Convenience Retail per sq m (GIA)
Norwich City Centre	£5	£5	Norwich City Centre	£25	£25
South Area	£5	£10	Rackheath Urban Extension Area	£25	£25
North Area	£5	£10	Rest of Area	£10	£25

# Assumptions



## Market Conditions:

- (1) Normal market (mid 2007) / (2) Recession market (mid 2009)

## NAHP (Social Housing) Grant:

- Appraisals undertaken assuming a no grant scenario, and a grant scenario.

## Enabling Costs:

- Dependent on brownfield / greenfield site characteristics.

## Land Values:

- Land values reflective of work undertaken by Drivers Jonas Deloitte and discussions with local agents.

Benchmark Land Values (per acre)	City Centre Benchmarks	Out of City Centre Benchmarks
Agricultural Land	n/a	£100,000
Office Land	£400,000	£200,000
Industrial Land	£400,000	£200,000
Retail (Convenience)	£400,000	£300,000
Retail (Warehouse)	£400,000	£300,000
Residential	£450,000	£350,000

## Residential Values:

- Land values reflective of work undertaken by Drivers Jonas Deloitte and discussions with local agents.

£ PER SQ FT.	CITY	A11 Corridor	Inner Area	Outer Area
'Normal' Market	£240	£220	£209	£187
'Recession' Market	£200	£180	£165	£150





# Establishing the Charging Zones





# Setting Charging Zone Boundaries



## Brief

- Provide GNDP with the evidence base to support its CIL;
- Undertake further, more specific research to support Charging Zone Schedule.

## Detail of Work

- Analyse market evidence sources such as VOA data, PROMIS, Rightmove, EGi and Focus;
- Source comparable Land Registry data sets;
- Map out delineating boundaries overall at street level; and
- Consult with Developer's Forum on proposed Charging Zone Schedule.

# DCLG Advice on Charging Zones



- “Strike what appears to the Charging Authority to be an appropriate balance between the desirability of funding infrastructure from CIL and the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area”;
- Use appropriate available evidence;
- Ensure that CIL is anticipated to have a positive economic effect on development in the medium to long term;
- Broad test of viability across the area as an evidence base;
- Take a strategic view across the area, not focus on individual development sites;
- Consider a range of data.

# RESIDENTIAL



## *In- depth analysis of Land Registry Data*

- Disaggregate data using GIS mapping to reflect the GNDP area as a whole by postcode.
- Cross-reference data tables with agent discussions from Viability Study.

## *Viability Study Evidence vs. Charging Schedule Report Evidence: The Move from Four Charging Zones to Two*

- Wymondham, Norwich Central & Norwich
- Wymondham, Norwich Central and Norwich vs. Harleston & Diss
- Costessey, Wroxham & Rackheath
- Outer Value Areas (Reepham, Acle, Harleston, Diss & Long Stratton)
- Wymondham vs. Long Stratton



## COMMERCIAL: Office & Industrial

- GVA Viability Study - office and industrial schemes only able to make modest CIL / Tariff contributions;
- Viability highly dependent upon proposed development location;
- GVA advises that Authority sets a single (lower) CIL/ Tariff across the whole area;
- Specific contributions can be secured if necessary from separate planning consents (i.e. through S106 agreements).



# RETAIL

## *Convenience / Standard Retail Development*

- Rental value of any given retail development highly dependent upon location.
- Rental values can differ significantly from street to street depending on frontage and foot fall, so difficult to set CIL Charging Zones, even within a single settlement.
- GVA advises a single, minimal CIL/ Tariff charge across the study area to encourage delivery of retail development.

# RETAIL



## *Supermarket / Large Food store Retail Development*

### *Assumptions:*

- At least 6,500 sq m (circa 70,000 sq ft) / space for circa 350 – 400 car parking spaces.

### *Viability Models:*

Two models of land purchase for supermarket stores:

- 1) Developer purchases the land and then sells it on a supermarket operator; and
- 2) Operator purchases land directly.

### *Outcome:*

Potential for higher 'supermarket' tariff for retail development over a given size.

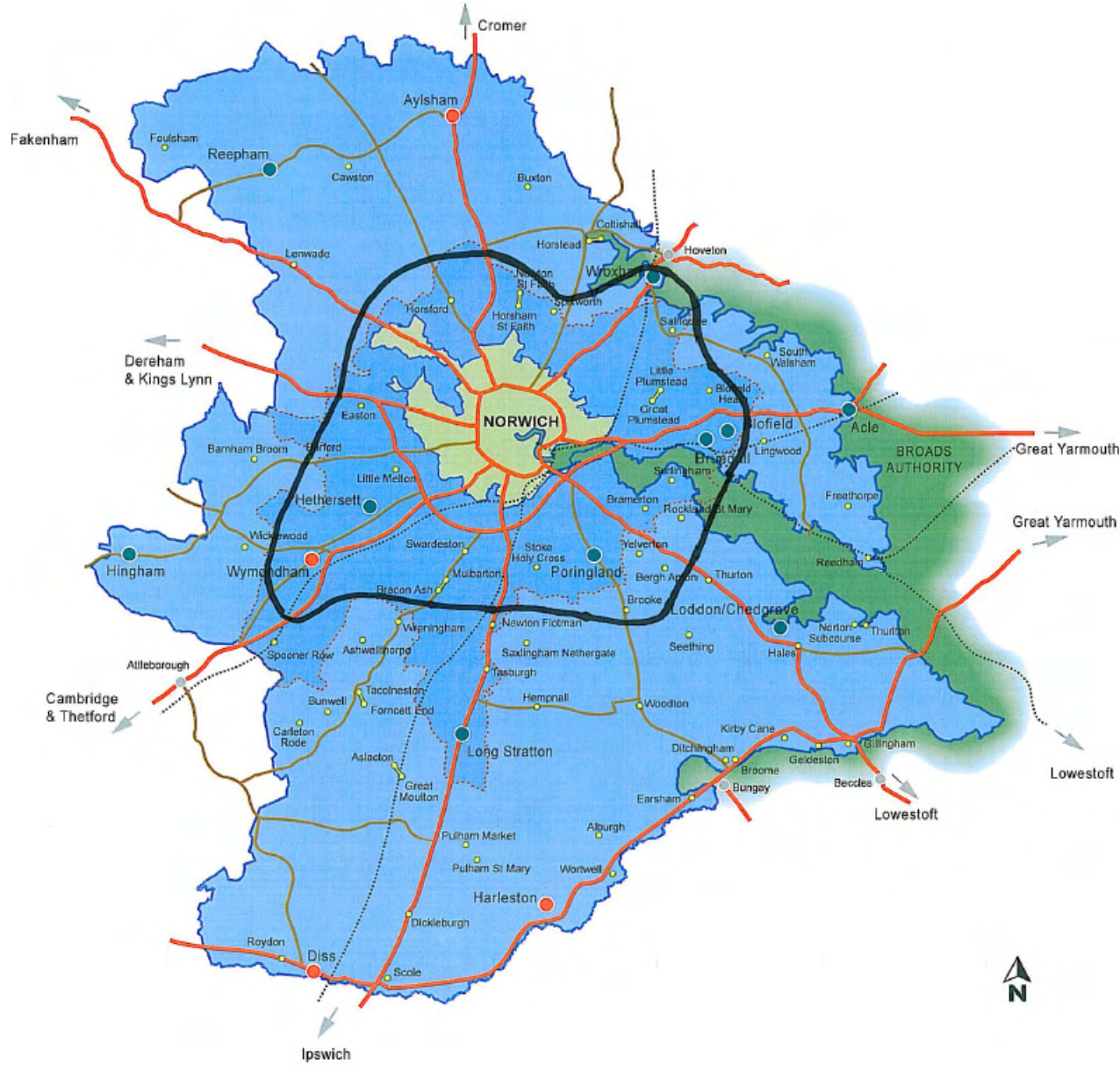


# SUMMARY

We set out below our summary table for the proposed Charging Zones (£ per Sq M)

Charging Zone	Residential	Commercial	Retail	Hotel	Leisure
'A'	£170	£5	£25	t.b.a.	t.b.a.
'B'	£85	£5	£25	t.b.a.	t.b.a.

# Proposed Residential Charging Zones







## Next Steps

- Report Availability