Bristol City Council

Community Infrastructure Levy

Residential Levy Rates

Paper responding to Position Statements and the Examiners Questions

14 June 2012

Background

This paper comprises two sections.

Section 1 responds to the Position Statement received in respect of the proposed Community Infrastructure Levy (CIL) rates for residential development. The statement was from Savills on behalf of the House Builders Consortium Group.

Section 2 responds to the Examiners Questions as set out in the Examination Hearings Timetable.

Section 1

Statement ED521 – Savills on behalf of the House Builder Consortium Group

General Comments

Savills assert that the viability evidence used in the BNP Paribas CIL Study is "*fundamentally flawed*" for reasons set out in their representations to both the Preliminary and Draft Charging Schedule consultations. Those reasons are addressed in detail in the Council's Response to Representations document and the Council is satisfied that appropriate available evidence has been used in undertaking the BNP Paribas CIL Study.

Savills suggest that "*the viability report, even predicated upon the inaccurate assumptions used by BNP Paribas, demonstrates that for large parts of the City, the residual land values are insufficient to support the introduction of any CIL charge*". In making this statement, it would seem as though Savills misunderstand the CIL regulations and the rate setting requirements. In some situations, residential development will be unviable, regardless of whether a CIL is levied or not. In such situations, those sites will remain in their current use, or be developed for an alternative (non-residential) use. The CIL regulations do **not** require the Council to demonstrate that every single development scenario in its area is viable in order to levy CIL. The key test that the Examiner is required to consider is whether a charging authority's choice in terms of 'the appropriate balance', puts the overall development of the area at serious risk. If a development is unviable **before CIL is even applied** then the ability of that development to come forward will be determined by factors beyond the Council's control (i.e. sales values and development costs). The addition of a requirement for CIL on such developments will make no difference to their deliverability.

Sales Values

Savills continue to claim that the sales values used in the BNP Paribas CIL Study are incorrect, yet have provided no evidence to support this. The developments from which BNP Paribas sales rates were derived were provided to Savills in January 2012 and are set out in Appendix B of the Council's Response to Representations.

In response to Savills continuing assertions, BNP Paribas have undertaken a brief review of the central Bristol market, which is located primarily in the Inner West area. They have compiled a sample of 48 properties currently on the market (attached as Appendix 1 to Section 1), the average marketed price of which is £4,081 per sq m. These are marketed and not achieved prices and therefore may be negotiated to an extent. However, a majority of the sample are re-sales, which would not attract a new build premium, and therefore it is considered that the two factors counterbalance each other. It is acknowledged that this is not an exhaustive review, but it does provide an indication of the tone of the market in the central Bristol area. The average figure of £4,081 per sq m is higher than the £3,993 per sq m used for the

Inner West appraisal. This reinforces the Council's opinion that the sales values used in the BNP Paribas CIL Study are robust and appropriate.

<u>Finzels Reach and Pro Cathedral</u>
Savills refer to Finzels Reach and Pro Cathedral as examples of why the Council's sales values are incorrect.

Firstly, as set out in the Council's Response to Representations document, the sales values used by BNP Paribas were agreed sales prices from a range of developments and sales that have taken place in recent years. These were factored to October 2011 using the Land Registry monthly indices. The Council is confident that these provide a robust basis and comprise appropriate available evidence on which to inform the BNP Paribas CIL Study.

The Finzels Reach development was granted planning consent in 2006, at the height of the market. It is a mixed use development comprising 400 residential dwellings, approximately 30,000sq m of office space and other retail and leisure uses. The developer approached the Council in early 2011 claiming that the scheme was no longer viable. In accordance with government guidance the Council accepted an amended package of planning obligations following the submission and assessment of a viability appraisal.

The appraisal agreed likely residential sales values for the whole of the site in order to establish the viability position.

This is a totally different process from that undertaken by BNP Paribas in collecting actual agreed sales prices to input into the CIL Study. The sales prices included from Finzels Reach in the CIL study may well be higher than average anticipated prices across the development simply because the early phases of development, which have been constructed, were the more desirable waterfront apartments, which would have commanded higher prices.

Savills state:

> *As an aside, it is of interest to note that in October 2011 the Council approved the proposed reduction in the Section 106 contributions and quantum of affordable housing on the Finzels Reach site due to economic viability constraints. This example draws into question the validity of the BNP Paribas methodology and serves to demonstrate the financial viability constraints facing development sites in Bristol, even in prime City Centre, waterfront locations.*

The Council totally disagrees with this statement. Finzels Reach had become unviable due to the fact that the land was purchased in 2006 when both land and predicted sales values were significantly higher that they are now. In addition, the scheme incorporates approximately 30,000 sq m of office space, which is likely to have added to viability issues. The Council's proposed CIL rates are predicated on the need to ensure that CIL will not make development that is currently viable, unviable, and the Council fails to see how the viability of Finzels Reach draws into question the validity of the BNP Paribas methodology.

Insofar as Pro Cathedral is concerned, it is a matter of fact that the scheme was not built, but that a number of sales were agreed. Savills express concern that because the quality of the build, the unique nature of the development and the high build costs, result in high sales values, it is not appropriate to use a scheme such as this in the viability evidence base.

The Council does not agree with this. The evidence base comprises 801 sales from 48 different developments across the city to ensure that the widest possible number of sales and types of development is used to inform the average sales values. It is the case that both Pro Cathedral and Finzels Reach generated some of the higher sales values. However, it is also the case that in deriving sales values, BNP Paribas also included significant numbers of sales from developments such as Geometric House, Essence, Baldwin Lofts, Snowberry Gardens and Meridian etc, which generate significantly lower sales values.

<u>Abnormal costs</u>
The Council's response to the inclusion of Savills proposed cost for abnormals is contained in its Response to Representations document. Savills claim that the majority of the housing supply pipeline in Bristol is on previously developed sites, and therefore will require demolition of existing buildings at the very least.

The Council's Site Allocations and Development Management Preferred Approach Document, which was consulted on between March and May 2012, identified those sites that the Council proposes to allocate for housing. An assessment of this document shows that of the housing proposed the following applies:

- 36% (2665 dwellings) is proposed on sites that are either cleared or are greenfield sites
- 28% (2045 dwellings) is proposed on sites that require only minimal levels of demolition, i.e. garages, huts, a single small building on a large site etc
- 36% (2615 dwellings) is proposed on sites that require demolition of noteable structures on a significant proportion of the site.

Therefore, two thirds of the housing proposed in the Site Allocations document will come forward on sites that require either no, or only a minimal amount of, demolition. The Site Allocations document does not cover City Centre sites, however in many cases, residential development on City Centre sites involves changes of use rather than demolition.

In any case the BNP Paribas CIL Study incorporates a contingency allowance of 5% of build costs, which would easily accommodate the costs of demolition where they do occur.

Inconsistent position taken by Savills

In their response 30 March 2012 to the Council's Draft Charging Schedule, Savills state the following:

> *Based on the evidence identified within these representations, we do not consider that there is sufficient evidence to justify the imposition of CIL charges of £50-£70 per sq m. We therefore suggest that the CIL charge ought to be removed entirely*

However in their 7 June 2012 Position Statement, Savills state:

> *Whilst the evidence provided in support of the proposed charge of £70 per sq. m. for the Inner Area is flawed, we acknowledge that a higher CIL charge is achievable within the area defined in the Preliminary Draft Charging Schedule. Residential development within this area generally has higher sales values and whilst the alternative use values are also higher, given the attractiveness of these locations a higher CIL rate is accepted.*
>
> *The evidence does not however support a rate of £70 per sq m and hence it is necessary to identify a level at which CIL will not put at risk the delivery of the strategic housing requirement. It is our view that a modest reduction to £50 per sq m represents an appropriate balance based on the evidence available.*
>
> *Outside of the Inner Area, we have extremely strong reservations regarding the viability evidence and we do not consider that development within this part of the City is capable of absorbing £50 per sq m without a significant harmful impact upon residential development viability. In its place we propose a reduced charge of £30 per sq m.*

Whilst there has been no change to the evidence base, Savills position has changed from recommending no CIL based on their evidence, to recommending CIL rates of £50 per sq m in the Inner Zone and £30 per sq m in the Outer Zone based on the same evidence.

The Council struggles to understand this change in Savills position, and raises the following issues with regards to Savills current position:

- Firstly, as Savills appear to reject the Council's evidence base as flawed, what is the "available evidence" that Savills rely upon in forming their current judgement that CIL rates of £30 and £50 per square metre would achieve an appropriate balance? No evidence has been produced to support this position.

- Secondly, Savills have produced no evidence that demonstrates that the Council's proposed CIL rates would put at serious risk development across the area taken as a whole. Their responses at each consultation stage merely demonstrate that a larger proportion of development is – in their opinion - currently unviable than that indicated by the Council's evidence. Their submissions provide no evidence at all that the proposed rates of CIL themselves would render development unviable or have a significant impact on development viability.

Impact of CIL on site specific mitigation and affordable housing
Savills state:

> *….we consider that the proposed Levy would not only impact upon individual site viability to the extent that it would render many sites unviable, but also that it unduly prioritises the delivery of infrastructure to the detriment of site specific mitigation and affordable housing delivery.*
>
> *In establishing an appropriate CIL rate for Bristol it is necessary to strike a balance not only between the delivery of infrastructure and provision of sufficient new homes to meet the strategic housing requirement, but also to ensure that there is sufficient margin between build costs and sales revenue to ensure appropriate site specific mitigation can be funded where necessary and the delivery of affordable housing is not reduced significantly.*

The Council's proposed CIL rates are purposely set at a rate that will not make otherwise viable development unviable and this is set out in the Council's Response to Representations document.

The BNP Paribas CIL Study includes a cost of £1,000 per dwelling for site specific mitigation through Section 106 obligations. No responses or evidence has been received from Savills or anyone else to suggest that this figure is not appropriate and therefore the Council does not consider that the CIL rate unduly prioritises infrastructure to the detriment of site specific mitigation.

The Council has produced evidence in Appendix A of its Response to Representations document, to show that the impact of CIL will have only a marginal impact on the ability to deliver affordable housing. In many cases the imposition of CIL on major residential development will result in costs that are very similar or less than those currently secured under the Council's tariff based planning obligations policy. Therefore it is not the case that the imposition of CIL will significantly reduce the level of affordable housing delivery.

It is also important to note that the council currently takes, and will continue to take, a pragmatic approach to the provision of affordable housing and developer contributions. As mentioned above, in many cases the imposition of CIL will have a marginal impact when compared to the Council's current tariff based approach to planning obligations.

However it is acknowledged CIL will become a fixed cost, and that there may be a small number of cases where due to the location and/or complexity of the site, the imposition of CIL has an impact on the development's ability to provide both affordable housing and site specific mitigation. In such cases, provided that a site specific viability appraisal agreed by the Council supports the viability case, the Council will take a pragmatic approach in seeking an appropriate balance between the level of affordable housing sought and the site-specific mitigation required, given the viability of the development.

Impact of Savills proposed CIL rates

The implication of Savills current position is that their proposed rates would not put development at risk whereas the Council's proposed rates would.

Table 7.7.1 of the BNP Paribas CIL Study shows that the imposition of CIL equates to between 1.9% and 2.3% of Gross Development Value (GDV) in the Inner Zone. In order to assess the impact of the reduced rates proposed by Savills, BNP Paribas have applied Savills proposed lower CIL rate (£50 per sq m) for Inner West to the seven typologies used in the BNP Paribas CIL Study.

The following table identifies the impact. This shows that the reduced CIL rates proposed by Savills would result in CIL equating to between 1.5% and 1.9% of GDV, a reduction of only 0.4% of the proportion of GDV accounted for by the Council's proposed CIL rates.

Development Type	Impact of Savills reduced rate of CIL as a % of GDV
2 houses	0.5%
5 houses	0.3%
14 houses	0.4%
50 houses	0.4%
50 flats	0.2%
100 flats (150 dph)	0.4%
100 flats (200 dph)	0.4%

Savills have not provided any evidence that shows that their currently proposed rates would bring more development scenarios back into viability, when compared to the Council's proposed rates.

The Council considers that its CIL rates are modest anyway and that to reduce them as proposed by Savills would make virtually no difference to the viability of the vast majority of development. It would, however, adversely impact on the ability of the Council to fund infrastructure.

Housing market recovery

Savills position statement states that *"it is not at all clear when the UK housing market will fully recover"*. However it is pertinent to note what the most recent edition of Savills own Residential Property Focus (Q2 2012) says on the matter. In its Mainstream Markets section it identifies that by 2011, values in the South West had reduced by 9.8% from their peak. However it forecasts that between 2012 and 2016, values in the South West will increase by 10.3%, which will take them almost back to the values achieved at the peak of the market.

Conclusion

For the reasons mentioned above, the Council does not agree with the position statement submitted by Savills. In particular the Council considers that the inconsistent approach taken by Savills as to the appropriate level of CIL, brings into question the credibility of their approach. The Council cannot see how, using the same evidence base, Savills have moved from recommending a £0 CIL for residential development, to recommending a £50 per sq m CIL rate in the Inner Zone, and a £30 per sq m CIL rate in the Outer Zone. Furthermore, the Council notes that Savills produce no evidence to demonstrate that their recently proposed rates of CIL would protect scheme viability, despite their continued assertion that the Council's rates would adversely impact on viability.

Consequently, the Council remains of the view that its Residential CIL rates are viable and appropriate, and considers that there is no basis for amending the rates as proposed by Savills.

SECTION 1 - APPENDIX 1

BRISTOL CITY CENTRE RESIDENTAL PROPERTIES FOR SALE - 8 JUNE 2012

Address	Asking Price	Property type	Floor area / ft	Price per sq ft	Price per sq m	Agent	Comment
Waverley House, Cathedral Walk	£149,950	1 bed flat	509	£295	£3,171	CJ Hole	
2nd floor flat, St Pauls Rd, Clifton	£169,950	1 bed flat	518	£328	£3,532	CJ Hole	
Plot 1.08, Castle Wharf, Finzels Reach	£180,000	1 bed flat	485	£371	£3,995	Hamptons	New build
Flat 13, Steamship House, Gas Ferry Road, City Centre	£189,000	1 bed flat	353	£535	£5,763	Sure Properties	New build
The Crescent, Hannover Quay, City Centre	£193,000	1 bed flat	497	£388	£4,180	House Network	
Canons Way, City Centre	£194,950	1 bed flat	523	£373	£4,012	Clifton Property Services	New build
Flat 39, Balmoral Apts	£195,000	2 bed flat	786	£248	£2,670	Savills	
503 Castle Wharf, East Tucker St, City Centre	£250,000	1 bed flat	603	£415	£4,464	Harbourside Property Group	New build
The Crescent, Hannover Quay, City Centre	£250,000	2 bed flat	732	£342	£3,676	Hamptons	
Caledonian Road, Bristol	£254,950	1 bed flat	685	£372	£4,006	Connells	
The Jacobs Building, Clifton	£265,000	2 bed flat	689	£385	£4,140	CJ Hole	
Queen Quay, Welsh Back, Bristol	£275,000	2 bed flat	883	£311	£3,352	Savills	
Bridge Road, Leigh Woods, Clifton	£279,000	2 bed flat	829	£337	£3,623	Savills	
5 Queen Quay, Welsh Back, City Centre	£279,995	2 bed flat	818	£342	£3,684	Ocean	
Hannover Quay, City Centre	£295,000	2 bed flat	661	£446	£4,804	Chappel & Matthews	New build
The Crescent, Hannover Quay, City Centre	£349,000	2 bed flat	733	£476	£5,125	CJ Hole	
Beaufort Road, Clifton	£350,000	2 bed flat	905	£387	£4,161	Leese and Nagle	
Royal York Crescent, Clifton	£355,000	2 bed flat	1074	£331	£3,558	Property Concept	
Flat 7, Landmark Court	£365,000	2 bed flat	900	£406	£4,365	Knight Frank	
James Place, Clifton	£375,000	4 bed house	1141	£329	£3,538	Savills	
Landsdown Place, Clifton	£375,000	2 bed flat	1109	£338	£3,640	Savills	
Grove House, Cornwalis Grove, Clifton	£380,000	2 bed flat	1033	£368	£3,960	Savills	
Southernhay Crescent, Clifton Wood	£384,950	3 bed house	948	£406	£4,372	Leese and Nagle	
Flat 2, 25 Caledonia Place, Clifton	£395,000	3 bed flat	1033	£382	£4,116	Savills	
13 Grange Road, Clifton, Bristol	£398,000	2 bed flat	958	£415	£4,472	Savills	
Princes Buildings, Clifton, Bristol	£425,950	2 bed flat	1136	£375	£4,036	Hydes of Bristol	
Liberty Gardens, Caledonian Road, Bristol	£435,000	2 bed flat	1311	£332	£3,572	Knight Frank	
Sion Lane, Clifton, Bristol	£435,000	2 bed flat	957	£455	£4,893	Hydes of Bristol	
Wellington Park	£447,500	3 bed house	1471	£304	£3,275	Richard Harding	
Flat 8.04 Malt House, Finzels Reach	£485,000	2 bed flat	1323	£367	£3,946	Hamptons	
Clifton Close, Clifton	£495,000	3 bed house	1066	£464	£4,998	Savills	
North Contemporis, Bristol	£495,000	3 bed flat	1421	£348	£3,750	Savills	
Royal Park Mews, Vyvyan Road, Clifton	£495,000	3 bed house	1302	£380	£4,092	Savills	
403 Royal Parade, Elmdale Road Clifton	£515,000	3 bed flat	1428	£361	£3,882	Savills	
The Crescent, Hannover Quay, City Centre	£530,000	2 bed flat	1312	£404	£4,348	Clifton Property Services	
Montrose Avenue, Redland	£545,000	3 bed house	1320	£413	£4,444	Richard Harding	
Hensmans Hill, Clifton	£550,000	3 bed flat	1554	£354	£3,810	Leese and Nagle	
Westgate, Caledonian Road, Harbourside	£595,000	3 bed flat	1766	£337	£3,627	Hydes of Bristol	
Bridge House, Sion Place, Clifton	£600,000	2 bed flat	1370	£438	£4,714	Savills	
Liberty Gardens, Caledonian Road, Bristol	£645,000	3 bed flat	1447	£446	£4,798	Knight Frank	
Grove Park, Redland	£725,000	4 bed house	1673	£433	£4,665	Leese and Nagle	
Goldney Road, Cliftonwood	£825,000	4 bed house	2408	£343	£3,688	Leese and Nagle	
Clifton Hill, Clifton	£850,000	3 bed house	1991	£427	£4,595	Savills	
Pembroke Vale, Clifton	£1,200,000	6 bed house	2548	£471	£5,069	Knight Frank	
Pembroke Road, Clifton	£1,375,000	6 bed house	4000	£344	£3,700	Hydes of Bristol	
11 Mortimer Road, Bristol	£1,475,000	6 bed house	3649	£404	£4,351	Savills	
Goodeve Road, Sneyd Park	£1,495,000	6 bed house	4400	£340	£3,657	Knight Frank	New build
Royal York Crescent, Clifton	£2,250,000	6 bed house	6728	£334	£3,600	Knight Frank	
			Average asking price		£4,081		

Section 2

Response to Examiners Questions

The examiner has identified two questions that he wishes to consider in relation to the proposed CIL rates for Residential development. The questions and the Council's responses are set out below.

Are the two local levy rates for residential development in the city justified by appropriate available evidence, having regard to national guidance, local economic context and infrastructure needs, including in relation to the Council's adopted Core Strategy?

The Council considers that the answer to this question must be "yes", for the following reasons.

Bristol's Core Strategy was adopted in June 2011, and is accompanied by an Infrastructure Delivery Programme, which contains an Infrastructure Schedule. This Schedule was updated in February 2012, and based on this, the Council produced a Funding Gap Background Paper that showed an infrastructure funding gap of in excess of £270,000,000. Consequently, the Council considers that it is justified in setting a CIL in order to contribute towards the delivery of the infrastructure required to support the growth of the city.

Policy BCS5 of the Core Strategy anticipates that 30,600 new dwellings will be provided during the period 2006 to 2026. The Council's Response to Representations document shows that 10,698 of these dwellings had been completed by April 2011 (an average of 2,140 dwellings per year), and the Councils Residential Development Survey Report 2011 identifies a further 8,661 dwellings with planning consent. Whilst the Council has a good record of delivering new housing; in order to deliver the level of growth set out in the Core Strategy, significant levels of new dwellings will need to continue to be delivered, and it is important that the imposition of CIL does not have an adverse affect on the delivery of the Core Strategy housing target.

The Core Strategy contains policies that have a direct impact on the viability of development, such as Policy BCS17, which requires the provision of affordable housing from all residential development of 15 or more units, and Policies BCS14 and 15, which require sustainable design and construction and sustainable energy measures to be incorporated in new development.

In order to ensure that the proposed residential CIL rates do not adversely impact on the delivery of these policies, the BNP Paribas CIL Study incorporated the costs of providing 30 and 40% affordable housing, as well as the costs of constructing all residential development to Code for Sustainable Homes Level 4, to take account of the Council's sustainability policies.

The justification for the Council's proposed CIL rates is provided by the BNP Paribas CIL Study, which identifies the maximum levels of CIL that could be applied to various development types. The appraisals have been undertaken using a Residual Land Valuation methodology, which the Council considers is an appropriate mechanism for determining viability and which has been used to inform a number of adopted CIL Charging Schedules.

Appropriate Available Evidence
The evidence used to inform the GDV of residential development is based on prices achieved from 801 sales transactions that occurred on 48 development sites across the city. A summary of the transactions is contained in Appendix B of the Council's Response to Representations document. The Council considers this to be a significant sample. A mentioned above, the provision of 30 and 40% affordable housing (depending on the area of the city, as per Core Strategy Policy BCS17) has also been incorporated.

In addition, the build costs include a premium to allow for the costs of constructing all new development to Code for Sustainable Homes Level 4, in order to incorporate the Councils sustainability requirements as set out in Core Strategy Policies BCS14 and 15.

Finally, in order to add an additional level of robustness to the residential appraisals, the BNP Paribas CIL Study has assumed all floorspace, including the affordable housing component, will be liable for CIL. In reality, the floorspace occupied by affordable housing will be exempt from CIL, and in many cases there will already be existing floorspace in use, which would be deducted from the total CIL liability.

In conclusion, the Council is satisfied that it has used a significant and robust sample of residential sales values to inform its proposed residential CIL rates, and that the sample used is appropriate available evidence. The BNP Paribas CIL Study has also incorporated the provision of affordable housing and the costs incurred in complying with the Council's sustainability policies. Finally it has assumed all residential floorspace will be liable for CIL in order to add an additional level of robustness to the appraisals.

The Council is confident that the appropriate available evidence it has used is in accordance with the statutory guidance contained in the CLG Charge Setting and Charging Schedule Procedures document (March 2010) and that it forms a reasonable basis from which to undertake Residual Land Valuations for residential development schemes to inform the Council's CIL rates.

Are the two local levy rates for residential development in the city reasonable and realistic in relation to an appropriate balance between helping to fund new infrastructure and the potential effect on the economic viability, and is the boundary between them appropriate.

The Council considers that the answer to this question must also be "yes", for the following reasons.

The Council accepts that the current infrastructure funding gap is of such a magnitude that CIL receipts alone could not bridge it.

Therefore, the key issue for the Council in aiming to strike what it considers to be an appropriate balance in respect of a CIL rate for residential development; is “How much of the surplus available to fund CIL should be sought?”

The Council has taken the view that it is important to leave a significant viability buffer to deal with site-specific differences in costs and values. Therefore it proposes that, in respect of residential development approximately 50% of the surplus should be sought through CIL.

The BNP Paribas CIL Study identifies that viable major residential development in the Inner Zone can afford a maximum CIL payment of £130 per sq m, and that viable major residential development in the Outer Zone can afford a maximum CIL payment of £90 per sq m. BNP Paribas have suggested CIL rates of £70 per sq m in the Inner Zone and £50 per sq m in the Outer Zone.

The Council has accepted this advice as it is in accordance with it intention to set a CIL rate of approximately 50% of the available amount.

For major residential development in the Inner Zone, the rate proposed is 54% of the maximum viable rate, and it equates to only 2.2% of Total Development Costs and 1.9% of GDV.

For major residential development in the Outer Zone, the rate proposed is 56% of the maximum viable rate, and it equates to only 1.6% of Total Development Costs and 1.5% of GDV.

Whilst it is acknowledged that there may be a small number of developments, across all development types that will be made unviable by the imposition of CIL, the Council considers that the rates proposed are relatively modest given the viability evidence set out in the BNP Paribas CIL study. It is not considered that the imposition of these rates will make residential development unviable generally and the rates have been purposely set at a rate that will not make residential development that is currently viable, unviable.

The Council estimates that the annual level of CIL receipts from residential development will be approximately £3,000,000 per year as set out in the “Anticipated level of CIL income” section of the Preliminary Draft Charging Schedule.

In conclusion, the Council is proposing CIL rates of approximately 50% of the maximum viable rate, and it anticipates CIL income from residential development of approximately £3,000,000 per year.

The Council has provided evidence to show that its proposed residential CIL rates will not materially affect the viability of residential development, or the Council’s ability to deliver affordable housing. It will however, deliver a significant income stream that will assist in the delivery of infrastructure to support the growth of the city. Consequently, the Council considers that its proposed residential CIL rates strike an appropriate balance between helping to fund the new infrastructure required and the potential effect on the economic viability of residential development across the city.

<u>Boundary between Inner and Outer Zones</u>
In setting a CIL rate for residential development, the Council used the Core Strategy Affordable Housing Policy (BCS17) as a starting point for identifying whether a single CIL rate was appropriate across the city, or whether different CIL rates should be applied to differing areas of the city.

The viability evidence used to support Policy BCS17 concluded that development in the inner areas (North West, Inner West, Inner East) of the city could support affordable housing at up to 40%, whereas development in the outer areas (North, East, South) could only support affordable housing at up to 30%. Consequently, the Council commissioned BNP Paribas to advise as to the maximum level of CIL that could be afforded in the inner and outer areas.

The resultant BNP Paribas CIL Study concluded that in the inner area, residential development over the 15 units affordable housing threshold could afford a maximum CIL of £130 per sq m, where as in the outer area a maximum CIL rate of only £90 per sq m could be afforded. On the basis of this advice the Council decided to apply differential rates, whereby £70 per sq m would be applied in the inner area and £50 per sq m would be applied in the outer area.

For the purposes of CIL, the inner area is referred to as the Inner Zone and the outer area is referred to as the Outer Zone. The proposed charging rates were set out in the Council's Preliminary Draft Charging Schedule.

One of the responses to the Preliminary Draft Charging Schedule consultation was from Marcus Leigh (Representation 17). His response provided evidence that showed that in a significant proportion of Inner East, sales values were significantly lower than those identified in the BNP Paribas CIL Study.

On closer examination of the Inner East area, the Council found that sales values in this area were polarised. The majority of development in Inner East occurs close to the boundary with Inner West. This is in, or close to, the city centre area where sales values are relatively high. However the remainder of Inner East has sales values that bear a much closer relation to those achieved in the Outer Zone.

Consequently, the Council took the view that it was appropriate to move the majority of the Inner East area from the Inner Zone to the Outer Zone, therefore reducing the CIL liability to £50 per sq m. This amendment was incorporated in the Draft Charging Schedule.

The Council is confident that the boundary between the Inner and Outer Zones now accurately reflects the viability position within the Zones, and therefore considers that the boundary between the Inner and Outer Zones is appropriately located.