

Question 1 - Affordable Housing

There are a number of references to an assumption that affordable housing will be provided at 22.5% of the total dwellings. Core Strategy policy COR3 refers to a 30% target and the Allocations and Infrastructure DPD to 35% in policy AL/DE/3.

Could the Council explain the justification for assuming a lower target than that which is set out in its adopted policies.

The targets for the provision of affordable housing in Mid Devon are set out as described by the Examiner in the Core Strategy and Allocations and Infrastructure DPD. In setting a Community Infrastructure Levy (CIL) charge for development the Council must have regard to the policies in its plans. However, in setting the charge, the Council is also required to have regard to the viability of development which depends on the costs associated with development. The targets for affordable housing set out in policy are not representative of the costs which developments are subject to because the targets set out in the policies are seldom reached. Therefore a realistic approach to the costs is to use the average proportion of affordable housing which is being achieved in Mid Devon. Based on the two most recent Annual Monitoring Reports the appropriate figure was 22.5% which was part of the basis for the most recent viability assessment.

Were the Council to utilise the target of 35% this would not be a true representation of the costs relating to development. Other costs for development vary according to the site's characteristics such as flood risk or access requirements. This in turn influences the proportion of affordable housing that a developer can afford to provide on each site. This means that the Council is negotiating the proportion of affordable housing on a site by site basis. Similar assumptions have had to be made in the viability assessments around the price of land based on recent land purchase costs. The approach is therefore a common one in relation to calculating cost and there is no reason why such an approach should not be taken towards the cost of affordable housing provision. Average levels of affordable housing are now lower than they were only a few years ago. An assumption of achieving 35% affordable housing on all sites would be incorrect and would lead to artificially inflated development costs that bear no relation to those being experienced on the ground.

The figure of 22.5% has also been wrongly referred to as a target. The figure is an average of the proportions of affordable housing currently being achieved in Mid Devon. Some sites have achieved the 35% target set out in policy but in other cases viability considerations have reduced the proportion to much lower levels. The overall target is still however 35% and the Council commences all its negotiations on that figure in accord with the policies in its development plan. The average has been used as the basis for the broad assessment of sites undertaken in the viability assessment. It is not in any way a new target which supplants the target set out in the adopted development plan. That target will be examined as part of the Core Strategy review which the Council will be commencing in mid-2013. Evidence procured to support the Council's Meeting Housing Needs SPD demonstrates that retaining a target of achieving a significant affordable housing in Mid Devon remains justified.

In summary then the Council has taken a realistic evidence based approach to the actual cost of affordable housing provision in housing developments in Mid Devon. This is still in accord with the policies set out in the Council's development plan as the figure of 35% is a target which the Council aims to reach through negotiations with developers. The figure of 22.5% is an average of what is being achieved. Using that figure to assess the viability of development in relation to a proposed CIL charge is a realistic cost instead of the using a target which is on only achieved rarely in the current economic situation.

Question 2

2(a)

The Examiner understands that the Viability Supplementary Evidence (May 2012) concludes that a charge of £90/sqm would be appropriate for residential development.

However, the May 2011 Viability Update and CIL concludes that the maximum rate for greenfield sites would be about £150; £0 for brownfield sites and about £35 for all sites.

The Introduction to the 2012 document , in paragraph 1.2, states that 'During this time (i.e. Feb - May 2012)... various scenarios were tested and discussed'. The final iteration of that process related to CIL at £90.

It is not clear to the Examiner how the final figure of £90 for all residential was distilled from the figures in the 2011 document.

Could the Council succinctly explain the process and calculations which took them from the 2011 figure to the 2012 figure.

The original assessment of what was a viable CIL charge occurred during the preparation of the Allocations and Infrastructure DPD (AIDPD) and the Infrastructure Plan which concluded that an average income was expected to be £10,000 per house. During the preparation of the preliminary draft charging schedule the Council commissioned Fordhams to review the evidence which had been prepared to support the AIDPD. Their report concluded that a charge of up to £156 per square metre would be viable on greenfield sites but lower charges would be appropriate for other sites. As the Council's allocated sites are predominantly greenfield with only a few brownfield sites it was considered that the charge should be levied closer to the maximum rate suggested as viable by Fordhams. The rate selected was £113 per square metre which was well below the greenfield maximum of £156.

In response to the preliminary draft charging schedule a number of the representations referred to the Council making erroneous assumptions about the costs of development in justifying the charge of £113 per square metre. In assessing these representations the Council employed Roger Tym & partners to advise it. When the Council's Planning Policy Advisory Group (PPAG) met to discuss the representations and the way forward on CIL the consultants attended the meeting and advised that the utilising the assumptions made by Fordhams the proposed CIL charge was viable. However, this was challenged by Members and officers agreed to source information about local costs to inform the debate.

The results of the information gathering did not produce any consistent position on the majority of development costs apart from professional fees and levels of assumed profit. As a result the assumptions on the professional fees element was increased from 6% to 12% and the assumption on profit level was increased from 18% to 20%. The level of affordable housing assumed in the viability assessments was also reconsidered by the PPAG and the lower average proportion referred to in the Examiner's first question of 22.5% was arrived at. The viability assessments were then revised to reflect the increased costs and the revised assumption of affordable housing provision as set out in the tables in the further viability assessment prepared by Roger Tym & Partners to support the draft charging schedule which concluded that a viable charge would be £90 per square metre. The other assumptions in the viability assessment were not altered from the original assumptions.

The following model variables affecting land value and viability were utilised by Roger Tym and Partners to in their modelling of development costs, etc

- dwelling mix & coverage (floorspace)
- sales revenue, both open market & affordable x floorspace = total turnover
- construction cost
- Code for Sustainable Homes
- planning obligations package

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Mid Devon District Council Response

- additional (abnormal) development costs
- developer's profit, professional fees & financing
- existing use value

The assumptions for the individual variables were as follows

- Floorspace - based on standard new 1 to 5-bed units with increased allowance for affordable, and reflecting the market location
- Sales Turnover - £200-£236/sq/ft, affordable (35%)
- Build costs - range from £84 - £100/sq.ft depending on type of site & spec of build, conversion/new build, Codes 3 and 5 in addition
- Sales - 2% of open market turnover
- Fees & financing – each 6% of construction cost
- Financing land purchase - 6% of Residual LV (x 2 or 3 years for large schemes), SDLT 1 - 5%
- Profit - standard 18% of gross open market T/O, + 6% of AH build cost
- Affordable - 35% as current policy 60% rent, 40% shared ownership, sales value 41% of OMV
- Abnormals - estimate based on scheme size and evident constraints - £7.9m at Cullompton, £13.1m Tiverton
- CIL - £113/sq.m
- Existing Land value (EUV) - commercial, agricultural, hope values
- Viability conclusion - Site value with development compared with EUV - Uplift factor must be at least x 1.5 EUV (+ 50%), above hope value of £20k/gross acre.

Question

2(b)

Could the Council confirm that the proposed CIL charge in the tables in Appendix 1 of the 2012 document should refer to £90/sqm and not £113/sqm.

The Council can confirm that the proposed CIL charge in the tables in Appendix 1 of the 2012 document should refer to £90/sqm and not £113/sqm.