Gleeson Strategic Land
Sentinel House, Harvest Crescent
Ancells Business Park
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CIL
ID NO: 3632
REP NO: 11
ACK:
SUMMARISED:

gleeson

Mid Devon District Council
Forward Planning & Conservation
Phoenix House
Phoenix Lane
Tiverton
Devon, EX16 6PP

17th August 2012

Dear Sir/ Madam

**Comments on the Mid Devon Draft Charging Schedule (July 2012)**

I am writing further to the above mentioned document, which is presently out for consultation.

We support the councils recognition within paragraph 1.2 that CIL will only be payable when development is viable and profitable.

**Infrastructure list**

The Schedule confirms that the existing funding gap for infrastructure is £60 million, with CIL expected to raise £35 million, with £25 million to be raised from other sources.

The CIL Regulations 2010 (as amended) state under Regulation 14 (a) that in setting rates in a charging schedule, a charging authority (Mid Devon District Council) must aim to strike what appears to be an appropriate balance between:

(a) the desirability of funding from CIL (in whole or in part) the actual and expected estimated total cost of infrastructure required to support the development of its area, taking into account other actual and expected sources of funding; and
(b) the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area.

**Other major funding sources**

There are two further sources of funding which appear not to have been considered.

<u>Section 106 from existing commitments</u>

Firstly, Section 106 monies from existing commitments. There are a large number of existing housing commitments in the district. Assuming that these are all delivered before CIL would result in a significant level of funding.

If, however, these are not delivered before CIL, then they will add to the overall CIL funding pot.

New Homes Bonus

Secondly, contributions from the New Homes Bonus should be considered. As it stands 7,500 homes are identified in the strategy. The New Homes Bonus has the ability to provide significant monies to be generated towards the costs of local infrastructure. It is understood that only a proportion of this is likely to go towards funding infrastructure, but it appears no account has been made of this income stream at all.

Other sources of grant funding have also been overlooked e.g. for example, Sport England.

**Income from CIL**

The Viability Supplementary Evidence identifies that charges for residential development will be £90sqm and that this was tested with 22.5% affordable housing.

We have applied this to a high level assumption of future housing distribution, as follows:

*Within the District = 7,500 dwellings (5,812 market)*

- CIL charge per sqm of £90
- 5,812 dw x 90 sqm x £90/ sqm
- Totals £47,077,200

Overall, it could be assumed that an approximate total CIL figure from the 7,500 dwellings planned in Mid Devon will be over £47 million. This is at odds with the DCS which states that the revenue yield would raise a total of £35 million.

Furthermore, this CIL figure only relates to residential development, and I believe that other forms of development; notably Large Scale Retail, Hotels and Leisure developments should also be expected to make contributions.

Overall, it is considered that:

(a) Other funding sources are not considered, including existing S106 and NHB
(b) The estimated income from CIL alone could significantly exceed the figure required in the DCS.

Therefore, in conclusion, it is considered that the identified funding gap is exaggerated and the CIL charge is excessive.

**Viability**

We do not seek to go into too much detail in this submission. The key points will almost certainly be made through land agents and viability consultants. However, we consider that the following points should be made.

Build Costs

Para 2.53 suggests that build costs are on average between £70 - £90sq ft all in. We would suggest that this figure is too low and a figure closer to the £100 - £110 sq ft all in is more realistic. However, we appreciate that recognition has been made for code 5, but this additional £20sq ft needs to be added to the higher figure above.

Developer's profit

We appreciate the recognition that has been made of the present environment within which we are bringing forward sites, however, in our view developer's profit, even in more buoyant market conditions, would expect to be at least 20% to 22.5%. However, since the early part of the economic downturn it has become routinely necessary for developers to reflect the higher than normal risk involved in buying land and proceeding with developments in current uncertain market conditions by setting higher rates of at least 25% and, in many cases, even higher.

Instalments Policy

We believe that recognition needs to be made to the simple fact that until such time as units are starting to be sold, the developer has yet to receive any revenue from a particular site. It therefore needs to be the case that whichever instalment regime the council decides to proceed with factors this in and allows sufficient time for units to start to be sold. Of the four examples therefore tabled we would suggest that the Bristol example has best taken this into account.

Therefore, in conclusion, it is considered that some of the assumptions made in the report are incorrect, thus impacting on the realism of the recommended CIL level.

We trust that Mid Devon will take these views into account when preparing the next draft of this document. This is a critical document to get right to ensure that the district's future housing growth aspirations are deliverable.

Should you wish to discuss any of the issues contained in this letter further, then please do not hesitate to contact me.

Kindest regards

Yours sincerely

**Matt Richardson**
**Land Manager**