Bradford Community Infrastructure Levy

Response to Initial Questions raised by Planning Inspectorate

CITY OF BRADFORD METROPOLITAN DISTRICT COUNCIL

July 2016

Contents

Disclaimer

The development appraisals reported in this paper are indicative and should not in any circumstances be interpreted as valuations.

1.0 Introduction

1.1 This paper has been prepared to respond to initial queries raised by the Planning Inspectorate in respect of Bradford City Council's Community Infrastructure Levy evidence. It responds to queries raised in correspondence from PINS dated 6th June 2016.

2.0 Variations to Development Density

Issue raised by Inspector

2.1 Concern has been expressed regarding the fact that a fixed series of densities has been applied to the viability analysis across the District. Specifically, the Inspector has cited the variations to density anticipated in the Local Plan and Area Action Plans and has requested that the impact of such variations in density be examined.

Context to densities used

2.2 The development densities applied in the viability evidence document were based on market evidence, consulted on with agents, land owners and developers and having regard to the requirements of policy as set out in the emerging Local Plan (Publication Draft).

2.3 Policy HO5 Density of the Local Plan on Housing Schemes sets out a requirement for a minimum of 30 dwellings per ha. Whilst the policy states that higher densities would be permitted close to areas of good transport accessibility, there are no other policy requirements imposed on development.

2.4 In relation to market evidence, development densities for the majority of market housing schemes at the local level tend to range between 30 and 40 dwellings per ha. Whilst the mix of unit sizes can vary from site to site, house builders in the main are targeting a site cover (effectively the amount of residential floor space) within the range of 14,000 to 16,000 sq ft per acre.

2.5 The densities applied in the model were 35 dwellings per ha, achieving a site cover at the lower end of this stated target site cover, and being compliant with policies of the Local Plan. From the early informal consultation to the two sequential formal consultation exercises, no major objections have been made to the densities that have been applied. Indeed, representations made on behalf of house-builders explicitly supported the densities used (see representation reference 0034 on Preliminary Draft Charging Schedule).

Alternative density scenarios

2.6 To respond to the queries that have been made, two sets of alternative densities have been modelled:

- AAP areas
- District-wide

AAP areas

2.7 The Area Action Plans for Bradford City Centre and Shipley Canal Road Corridor identify several sites with densities that are above the standard house builder densities applied within the area wide model. Cushman and Wakefield has produced a Viability and Delivery Report for each AAP which tested a range of alternative scenarios that reflect these higher densities.

2.8 Within Bradford City Centre, there are several sites that are expected to be built for high density apartment schemes achieving densities of circa 100 and 200 units per ha. As a result of this the following scheme types were appraised to reflect the various sites that are proposed to be allocated:

Table 2.1 Bradford City Centre AAP scheme typologies

Scheme	Units	Net floor area	Gross floor area	Blocks
Scheme 1	20 overall, 10 x 1 bed, 10 x 2 bed	10 x 1 beds at 51 sq m (510 sq m) and 10 x 2 beds at 60 (600 sq m) = 1110 sq m	1306 sq m	Single block of 1306 sq m GIA
Scheme 2	50 units overall, 25 x 1 bed, 25 x 2 bed	25 x 1 beds at 51 sq m (1275 sq m) and 25 x 2 bed at 60 sq m (1500 sq m) = 2775 sq m	3265 sq m	Single block of 3265 sq m GIA
Scheme 3	100 units overall, 50 x 1 bed and 50 x 2 bed	50 x 1 beds at 51 sq m (2550 sq m) and 50 x 2 bed at 60 sq m (3000 sq m) = 5550 sq m	6529 sq m	Two blocks of 3265 sq m GIA
Scheme 4	200 units overall, 100 x 1 bed and 100 x 2 bed	100 x 1 beds at 51 sq m (5100 sq m) and 100 x 2 bed at 60 sq m (6000 sq m) = 11,100 sq m	13059 sq m	Three blocks of 4352 sq m GIA each

2.9 In relation to Shipley and Canal Road Corridor AAP, the range of densities anticipated on sites by the AAP is 40 to 100 units per ha. As a result we tested an alternative series of scheme densities as follows:

Table 2.2: Shipley and Canal Road Corridor scheme typologies

	Area (ha)	DPH	No units
Scheme 1	0.50	100	50
Scheme 2	0.70	100	70
Scheme 3	0.50	50	25
Scheme 4	2.00	50	100
Scheme 5	0.50	40	20
Scheme 6	1.50	40	60
Scheme 7	10.00	40	400

2.10 The results of the appraisals of these schemes are set out in the Area Action Plan Viability and Delivery reports[1]. For both locations, the results revealed viability challenges associated with high

[1] Bradford City Centre Area Action Plan Viability and Delivery Report, December 2015

density sites owed largely to the low demand for apartment sales restricting capital values and sales rates. In current market conditions and with an allowance for the affordable housing policy requirements the work indicated that there was no additional surplus / headroom available for the Community Infrastructure Levy.

District Wide Variations

2.11 In addition to the above, we have now tested a series of other scheme densities to reflect the possibility of variation across the District. All the schemes previously tested in the CIL viability evidence document have been remodelled at 40, 50 and 100 Dwellings per ha across all value areas of the District. At the 40 dwellings per ha density the mix of units is consistent with the base density of 35 dwellings per ha. However for the higher densities the mix has been varied to reflect an anticipated emphasis on smaller units and flats. The mix assumptions are based on a combination of market judgement and review of recent permitted schemes within the District. The density and dwelling mix is assumed as follows:

Table 2.3: District wide density scenarios

	Housing mix %					
Development density (DPH)	1 bed flat	2 bed flat	2 bed house	3 bed house	4 bed house	5 bed house
40	0%	0%	20%	50%	25%	5%
50	10%	10%	20%	50%	10%	0%
100	30%	70%	0%	0%	0%	0%

2.12 These densities have been tested across all five development site sizes (0.5, 1, 2, 5 and 10 ha) with the exception of the 100 unit scheme which has only been tested on 0.5, 1 and 2 ha sites.

Appraisal of alternative density scenarios

2.13 The above density and mix scenarios have been remodelled with all other appraisal assumptions as per the updated CIL viability baseline as set out in the Bradford Community Infrastructure Levy Viability Evidence Addendum (December 2015). The only exception is that for Wharfedale we have increase the revenue assumption on a per sq m basis by 20% to for flats to reflect the premium achieved for flats observed in this location. This premium has been applied to the higher density 100% flatted scheme.

2.14 The CIL headroom has been calculated based on the proportion of Gross Internal Area floor space that is market (excluding affordable) and also allowing an uplift for the possibility of additional gross floor spaces. As such the CIL headroom figures are approximations.

2.15 The results are demonstrated in the tables over the page.

Table 2.4: Density sensitivities at 40 DPH

CIL headroom for Residential Development - Policy compliant affordable housing

Value area 1 (Wharfedale)

	Site Size (ha)	Residual site value	Benchmark Site Value £ actual (at £1.28m per ha)	Headroom for CIL (£)	Size of development scheme (sq m)	Floor area of market housing (GIA sq m)	Amount available for CIL (£ per sq m)
30% AH	0.5	£1,275,837	£642,460	£633,377	1855	1484	427
	1	£2,507,430	£1,284,920	£1,222,510	3710	2968	412
	2	£4,950,853	£2,569,840	£2,381,013	7420	5936	401
	5	£10,877,454	£6,424,600	£4,452,854	18360	14688	303
	10	£21,754,908	£12,849,200	£8,905,708	36720	29376	303
						Average	£369

Value area 2 (higher value rural villages and towns)

	Site Size (ha)	Residual site value	Benchmark Site Value £ actual (at £741k per ha)	Headroom for CIL (£)	Size of development scheme (sq m)	Floor area of market housing (GIA sq m)	Amount available for CIL (£ per sq m)
20% AH	0.5	£689,953	£370,650	£319,303	1855	1670	£191
	1	£1,371,035	£741,300	£629,735	3710	3339	£189
	2	£2,729,103	£1,482,600	£1,246,503	7420	6678	£187
	5	£5,898,524	£3,706,500	£2,192,024	18360	16524	£133
	10	£11,759,404	£7,413,000	£4,346,404	36720	33048	£132
						Average	£166

Value area 3 (Lower value rural villages and towns)

	Site Size (ha)	Residual site value	Benchmark Site Value £ actual (at £593k per ha)	Headroom for CIL (£)	Size of development scheme (sq m)	Floor area of market housing (GIA sq m)	Amount available for CIL (£ per sq m)
20% AH	0.5	£477,452	£296,520	£180,932	1855	1670	£108
	1	£957,339	£593,040	£364,299	3710	3339	£109
	2	£1,931,497	£1,186,080	£745,417	7420	6678	£112
	5	£4,079,896	£2,965,200	£1,114,696	18360	16524	£67
	10	£8,124,347	£5,930,400	£2,193,947	36720	33048	£66
						Average	£93

Value area 4 (outer Bradford and other low value areas)

	Site Size (ha)	Residual site value	Benchmark Site Value £ actual (at £445k per ha)	Headroom for CIL (£)	Size of development scheme (sq m)	Floor area of market housing (GIA sq m)	Amount available for CIL (£ per sq m)
20% AH	0.5	£332,268	£222,390	£109,878	1855	1670	£66
	1	£673,042	£444,780	£228,262	3710	3339	£68
	2	£1,368,000	£889,560	£478,440	7420	6678	£72
	5	£2,802,532	£2,223,900	£578,632	18360	16524	£35
	10	£5,571,378	£4,447,800	£1,123,578	36720	33048	£34
						Average	£55

Value area 5 (inner Bradford and Keighley)

	Site Size (ha)	Site value	Benchmark Site Value £ actual	Headroom for CIL (£)	Size of development scheme (sq m)	Floor area of market housing (GIA sq m)	Amount available for CIL (£ per sq m)
15%	0.5	-£170,881	£148,260	-£319,141	1855	1762	-£181
	1	-£268,938	£296,520	-£565,458	3710	3525	-£160
	2	-£513,527	£593,040	-£2,363,085	7420	7049	-£335
	5	-£1,792,590	£1,482,600	-£7,309,858	18360	17442	-£419
	10	-£3,440,004	£2,965,200	-£3,478,727	36720	34884	-£100
						Average	**-239.12**

Table 2.5: Density sensitivities at 50 DPH

CIL headroom for Residential Development - Policy compliant affordable housing

Value area 1 (Wharfedale)

	Site Size (ha)	Residual site value	Benchmark Site Value £ actual (at £1.28m per ha)	Headroom for CIL (£)	Size of development scheme (sq m)	Floor area of market housing (GIA sq m)	Amount available for CIL (£ per sq m)
30% AH	0.5	£1,219,509	£642,460	£577,049	1965	1572	367
	1	£2,464,993	£1,284,920	£1,180,073	3930	3144	375
	2	£5,113,612	£2,569,840	£2,543,772	7860	6288	405
	5	£11,472,436	£6,424,600	£5,047,836	19650	15720	321
	10	£23,231,792	£12,849,200	£10,382,592	39300	31440	330
						Average	£360

Value area 2 (higher value rural villages and towns)

	Site Size (ha)	Residual site value	Benchmark Site Value £ actual (at £741k per ha)	Headroom for CIL (£)	Size of development scheme (sq m)	Floor area of market housing (GIA sq m)	Amount available for CIL (£ per sq m)
20% AH	0.5	£520,285	£370,650	£149,635	1965	1769	£85
	1	£1,203,150	£741,300	£461,850	3930	3537	£131
	2	£2,520,371	£1,482,600	£1,037,771	7860	7074	£147
	5	£5,884,641	£3,706,500	£2,178,141	19650	17685	£123
	10	£11,731,642	£7,413,000	£4,318,642	39300	35370	£122
						Average	£121

Value area 3 (Lower value rural villages and towns)

	Site Size (ha)	Residual site value	Benchmark Site Value £ actual (at £593k per ha)	Headroom for CIL (£)	Size of development scheme (sq m)	Floor area of market housing (GIA sq m)	Amount available for CIL (£ per sq m)
20% AH	0.5	£304,204	£296,520	£7,684	1965	1769	£4
	1	£765,133	£593,040	£172,093	3930	3537	£49
	2	£1,661,144	£1,186,080	£475,064	7860	7074	£67
	5	£3,948,213	£2,965,200	£983,013	19650	17685	£56
	10	£7,858,639	£5,930,400	£1,928,239	39300	35370	£55
						Average	£46

Value area 4 (outer Bradford and other low value areas)

	Site Size (ha)	Residual site value	Benchmark Site Value £ actual (at £445k per ha)	Headroom for CIL (£)	Size of development scheme (sq m)	Floor area of market housing (GIA sq m)	Amount available for CIL (£ per sq m)
20% AH	0.5	£154,891	£222,390	-£67,499	1965	1769	-£38
	1	£457,271	£444,780	£12,491	3930	3537	£4
	2	£1,070,175	£889,560	£180,615	7860	7074	£26
	5	£2,537,836	£2,223,900	£313,936	19650	17685	£18
	10	£5,041,671	£4,447,800	£593,871	39300	35370	£17
						Average	£5

Value area 5 (inner Bradford and Keighley)

	Site Size (ha)	Site value	Benchmark Site Value £ actual	Headroom for CIL (£)	Size of development scheme (sq m)	Floor area of market housing (GIA sq m)	Amount available for CIL (£ per sq m)
15%	0.5	-£254,344	£148,260	-£402,604	1965	1867	-£216
	1	-£554,886	£296,520	-£851,406	3930	3734	-£228
	2	-£1,083,340	£593,040	-£2,363,085	7860	7467	-£316
	5	-£2,617,633	£1,482,600	-£7,309,858	19650	18668	-£392
	10	-£5,210,127	£2,965,200	-£4,048,540	39300	37335	-£108
						Average	**-252.04**

Table 2.6: Density sensitivities at 100 DPH

CIL headroom for Residential Development - Policy compliant affordable housing

Value area 1 (Wharfedale)

	Site Size (ha)	Residual site value	Benchmark Site Value £ actual (at £1.28m per ha)	Headroom for CIL (£)	Size of development scheme (sq m)	Floor area of market housing (GIA sq m)	Amount available for CIL (£ per sq m)
30% AH	0.5	£1,605,723	£642,460	£963,263	2685	2148	448
	1	£3,255,621	£1,284,920	£1,970,701	5370	4296	459
	2	£6,107,427	£2,569,840	£3,537,587	10740	8592	412
	5	n/a	n/a	n/a	n/a	n/a	n/a
	10	n/a	n/a	n/a	n/a	n/a	n/a
						Average	£440

Value area 2 (higher value rural villages and towns)

	Site Size (ha)	Residual site value	Benchmark Site Value £ actual (at £741k per ha)	Headroom for CIL (£)	Size of development scheme (sq m)	Floor area of market housing (GIA sq m)	Amount available for CIL (£ per sq m)
20% AH	0.5	-£179,650	£370,650	-£550,300	2685	2417	-£228
	1	-£289,081	£741,300	-£1,030,381	5370	4833	-£213
	2	-£820,872	£1,482,600	-£2,303,472	10740	9666	-£238
	5	n/a	n/a	n/a	n/a	n/a	n/a
	10	n/a	n/a	n/a	n/a	n/a	n/a
						Average	-£226

Value area 3 (Lower value rural villages and towns)

	Site Size (ha)	Residual site value	Benchmark Site Value £ actual (at £593k per ha)	Headroom for CIL (£)	Size of development scheme (sq m)	Floor area of market housing (GIA sq m)	Amount available for CIL (£ per sq m)
20% AH	0.5	-£513,176	£296,520	-£809,696	2685	2417	-£335
	1	-£958,288	£593,040	-£1,551,328	5370	4833	-£321
	2	-£2,183,875	£1,186,080	-£3,369,955	10740	9666	-£349
	5	n/a	n/a	n/a	n/a	n/a	n/a
	10	n/a	n/a	n/a	n/a	n/a	n/a
						Average	-£335

Value area 4 (outer Bradford and other low value areas)

	Site Size (ha)	Residual site value	Benchmark Site Value £ actual (at £445k per ha)	Headroom for CIL (£)	Size of development scheme (sq m)	Floor area of market housing (GIA sq m)	Amount available for CIL (£ per sq m)
20% AH	0.5	-£1,434,445	£222,390	-£1,656,835	2685	2417	-£686
	1	-£3,115,832	£444,780	-£3,560,612	5370	4833	-£737
	2	-£7,830,737	£889,560	-£8,720,297	10740	9666	-£902
	5	n/a	n/a	n/a	n/a	n/a	n/a
	10	n/a	n/a	n/a	n/a	n/a	n/a
						Average	-£775

Value area 5 (inner Bradford and Keighley)

	Site Size (ha)	Site value	Benchmark Site Value £ actual	Headroom for CIL (£)	Size of development scheme (sq m)	Floor area of market housing (GIA sq m)	Amount available for CIL (£ per sq m)
15%	0.5	-£554,886	£148,260	-£703,146	2685	2551	-£276
	1	-£1,083,340	£296,520	-£1,379,860	5370	5102	-£270
	2	-£2,060,447	£593,040	-£2,363,085	10740	10203	-£232
	5	n/a	n/a	n/a	n/a	n/a	n/a
	10	n/a	n/a	n/a	n/a	n/a	n/a
						Average	**-259.25**

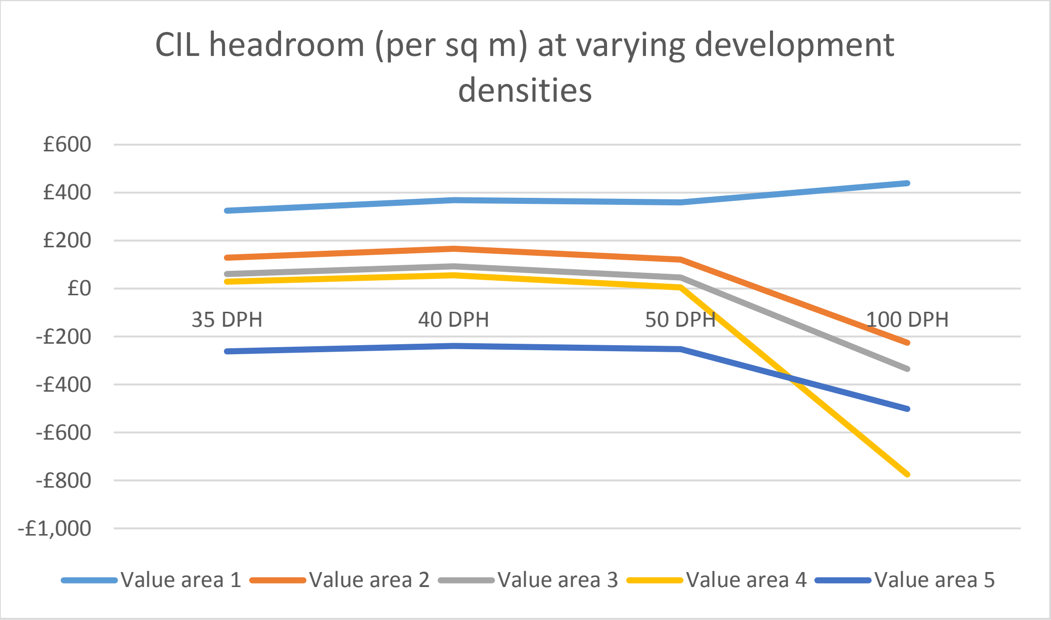
3.0 Conclusions

3.1 Table 2.7 and Figure 2.1 below summarise the results in terms of the average CIL headroom across each density and value area.

Table 2.7: Summary of average CIL headroom by density and value area

	35 DPH	40 DPH	50 DPH	100 DPH
Value area 1	£324	£369	£360	£440
Value area 2	£129	£166	£121	-£226
Value area 3	£61	£93	£46	-£335
Value area 4	£29	£55	£5	-£775
Value area 5	-£262	-£239	-£252	-£501

Figure 2.1: Summary of average CIL headroom by density and value area



3.2 NB. It should be noted that the above figures are approximate headroom figures to show the trends in impact of density on CIL capacity. There may be some small variations in scheme from case to case. Furthermore, because of the relatively lack of evidence of higher density schemes market intelligence relating to the different dynamics of such schemes is limited and a number of assumptions have had to be made. Therefore should any changes to the CIL charges be made we would recommend further refinement of the viability evidence.

3.3 The key messages that should be interpreted from this sensitivity analysis are:

- There is relatively good level of consistency in development viability and CIL headroom between 30 and 50 dwellings per ha across all value areas.
- However, from 50 up to 100 DPH there is a significant reduction in viability in all locations except Value Area 1
- The reason for this reduction in viability is due to increased build costs of flatted schemes which are not – with the exception of Value Area 1 – accompanied by matching increases in sales values.
- Wharfedale (Value Area 1) is something of a special case in this regard in that sales values for

flats command a premium because of the demographic of the housing market.

3.4 In respect of the implications for the AAP areas, our original viability evidence established that even at typical market development densities there are likely to be viability challenges in the immediate short term. It could be interpreted from the additional assessments provided above that there is even less scope for CIL within these locations because of the dual effects of market weakness and the less viable higher density schemes. However, in reality, because CIL is proposed at such a nominal level within these locations the impacts of the tariff are likely to be limited in terms of affecting delivery.

3.5 In respect of the implications for Bradford Council's CIL charging strategy, there is a case for exempting 100% flatted developments from CIL liability with the exception of those schemes in Wharfedale. Whether or not such an exemption is introduced should be balanced against the benefit given that there is very minimal new flatted development taking place at the current time.

3.6 As noted above this analysis should be interpreted as indicative and should any changes be deemed necessary to the Charging Schedule we would recommend further revision and refinement of the viability evidence.