

## **COUNCIL RESPONSE TO THE EXAMINER'S INITIAL OBSERVATIONS ON THE SUBMITTED BRADFORD COMMUNITY INFRASTRUCTURE LEVY (CIL)**

6 June 2016

### **Introduction**

Following submission of the Bradford CIL, the Examiner has provided the Council with a number of observations following an initial assessment of the CIL Draft Charging Schedule and the accompanying evidence. The Examiner is seeking the Council's initial response to these issues, and if the Council recognises further work would be required, an outline of how long it would take.

The Council's position is that the CIL Draft Charging Schedule version as approved by Full Council and submitted, strikes an appropriate balance between the need to fund infrastructure and ensuring the viability of development and is supported by robust and appropriate available evidence.

The Council has provided a response to a number of the issues raised through the initial observations as set out below. The Council consider that further work is required in response to some of the issues raised, in particular in regards to further testing of a residential development at higher densities, more detailed breakdown of S106 costs, and consideration of viability for sheltered/specially designed accommodation for the elderly or similar development.

The Council estimate that this further work can be completed by Monday the 11<sup>th</sup> July 2016.

### **Inspector's Observations**

*1. From what I have read, it would seem that the viability testing has been predicated on a fixed density of development throughout the District. This appears to be inconsistent with the emerging CS which provides for varying densities of development dependent on location and the two emerging Area Action Plans which propose significantly higher levels of density*

### **Council's Response**

The CIL Draft Charging Schedule (DCS) has been informed by viability evidence (CIL-003 and CIL 004). The viability evidence included area-wide viability evidence testing of residential schemes based on an average density of 35 units per hectare. This was based on an analysis of the development which is most likely to come forward across the District as set out in paragraph 4.1.2 and pages 72 and 73 of the Bradford CIL Viability Evidence June 2015 (CIL-003). The assumptions used to inform the area wide viability testing were consulted on with a wide range of stakeholders including developers, house-builders and property and planning agents in 2012 and again in 2014. It should be noted that no objections were made at the informal consultation on the viability assumptions or in the subsequent statutory consultation periods for CIL.

The CIL viability testing also included site specific viability testing, which involved detailed analysis of a number of "real world" strategic sites. These sites are listed in Table 6.1 on page 45 and Appendix B of the Bradford CIL Viability Evidence June 2015 (CIL-003).

The Council recognise that the emerging Core Strategy Policy HO5 allows for varying densities dependent on location. In particular higher densities may be required where sites are located in areas well served by public transport. Also density targets for specific sub areas are set out in the emerging Bradford City Centre and Shipley & Canal Road Corridor

AAPs, including for higher density development. In respect of the AAP locations, the analysis of higher densities is somewhat academic as the CIL viability evidence did not in any case indicate there to be any CIL headroom. However, accepting the broad point, the Council propose to undertake further viability testing of a range of residential sites in the different value areas based on higher residential densities, including flatted type development. It is envisaged that this work can be completed by Monday 11th July 2016.

*2. The Council has set differential rates based on geographical zones for housing and for retail warehousing. However, whilst I note that some testing has been undertaken I could not identify the detailed evidence which supports the delineation of specific boundaries between the zones*

### **Council's Response**

The results of the CIL viability evidence indicates that there is a marked difference in the ability of residential development in different parts of the Bradford District to viably support a CIL charge, justifying the use of a zonal approach to setting rates for this use.

Residential charging zones in the CIL Viability Evidence (CIL-003) were defined based on average house prices in each post code area in the District drawn from Land Registry data aggregated at postal district area. The Council will provide a table of the land registry data containing the average house prices by post code for information.

Five value bands were defined based on the average house price for each postcode area as follows:

- HV1 - £250,000 to £425,000 average house price band
- HV2 - £175,000 to £250,000 average house price band
- HV3 - £125,000 to £175,000 average house price band
- HV4 - £100,000 to £125,000 average house price band
- HV5 - sub £100,000 average house price band

These were then simplified into four value areas (zone 1, zone 2, zone 3 and zone 4), which involved merging the two lowest value areas (HV4 and HV5) into a single zone to create zone 4. The reason for this was that based on the results of the CIL Viability Evidence (CIL-003), there was no difference between the strength of the two lowest value geographical areas in regards to CIL viability for residential uses. The boundaries identified for the CIL residential charging zones in the CIL Draft Charging Zone Map have been informed by the four zones identified in the CIL viability evidence (CIL-003, Figure 7.1 p.52).

The residential charging zone boundaries in the CIL DCS have been aligned to ordnance survey data that the Council uses. The O/S data follows more physical features. Some postcode anomalies have been removed and some alterations have been made to zones on the boundary of the District to align with the District boundary.

The DCS Charging Zone Map also includes a charging zone for retail warehousing rates in the City of Bradford. This is in response to the Viability Evidence Addendum (CIL 004) which recommended, based on updated viability evidence, that the CIL Draft charging Schedule was amended so that retail warehousing only applied to the Central area of the City of Bradford (CIL 004, p12).

The Government's National Planning Practice Guidance (NPPG) for CIL states that the council should use an area based approach involving a broad test of viability across the area as evidence to inform the CIL charge (Paragraph: 020 Reference ID: 25-020-20140612) and

a charging authority that plans to set differential rates should seek to avoid undue complexity (Paragraph: 022 Reference ID: 25-022-20140612). While it is recognised that the District's housing market is diverse and complex and there may be local variations in values within each residential charging zone, the Council considers that the four charging zones proposed broadly reflect the viability of residential development across the District and avoid undue complexity in setting differential rates for residential development in accordance with the CIL NPPG.

It should also be noted that the methodology used for identifying different charging zones for residential development in the Bradford CIL Viability Evidence is the same as was used to support the recently adopted Wakefield CIL Charging Schedule. This approach was found by the Examiner to be an appropriate basis for identifying charging zone boundaries<sup>1</sup>.

Based on the above it is considered that the viability evidence (CIL-003 CIL-004) provides robust, appropriate and available evidence to inform setting the differential rates by geographical zone across the District. The Council therefore do not propose to undertake any further work in regards to defining the specific boundaries between the zones.

*3. In addition, it would be useful to have a greater understanding of how the policy costs of the emerging Core Strategy and Area Action Plans, including for example, the use of national space standards, have been explicitly considered, and their impact on the viability of development.*

The viability evidence (CIL-003, CIL-004) has considered the policy requirements from the emerging Core Strategy. This includes, allowance for site specific S106 and affordable housing policy requirements as set out in paragraphs 4.1.7 and 4.1.8 of the CIL Viability Evidence (CIL-003) Paragraph 5.1.1 of the CIL Viability evidence (CIL-003) sets out that the base appraisals for the District-wide viability testing, model the viability of development incorporating the Core Strategy affordable housing policies and a 10% uplift on build costs as an allowance for site abnormal development costs.

In regards to other policy standards the CIL Viability Evidence June 2015 (CIL-003) identified that the draft version of the Council's Local Plan (the Core Strategy Publication Draft) sets out the following requirements in Policy HO9 which will have an impact on build costs:

- Level 4 of the Code for Sustainable Homes to be achieved from the date of adoption
- Zero Carbon to be achieved from 1st April 2016
- Schemes of 10 or more homes will be expected to include a proportion of accessible homes as part of an overall housing mix

Paragraph 5.1.2 (CIL-003) sets out that on the basis of evidence, the cost uplift required for testing these additional policy standards will range from 5%-7% on build costs. However, it is noted that the base build costs that have been used within the viability assessment are based on details provided BCIS which are generally at least 5% above what 'volume' house builders are generally able to build at. This is because the major house-builders use their own construction facilities and do not need to pay external contractors. Therefore, the figures used in the base appraisals already allow for some insulation from cost increases in such cases. Notwithstanding this, the Viability Evidence modelled a sensitivity based on 5% uplift in build costs to demonstrate the impact of such uplift.

The Core Strategy is still at Examination. Following the initial CIL Viability Assessment June 2015 (CIL-003) the Council published its proposed main modifications to the Core Strategy

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<sup>1</sup> Report to Wakefield Council by Mike Hayden BSc (Hons) Dip TP MRTPI an Examiner appointed by the Council Date: 6 November 2015 <http://www.wakefield.gov.uk/Documents/planning/planning-policy/community-infrastructure-levy/2015/cil-examination-report-final-report-nov-2015.pdf>

in November 2015 (PS-G004a). The proposed main modification to Policy HO9 Housing Quality (MM100<sup>2</sup>) sets out that following the Government's National Housing Standards Review the requirement for Code for Sustainable Homes Level 4 and Zero Carbon Housing from 2016 has been removed. Under Criteria C of Policy HO9 larger housing sites should include a proportion of new homes which are should be designed to be accessible and easily adaptable to support the changing needs of families and individuals over their lifetime, including older people and people with disabilities. Under MM105 the supporting text sets out that the Council intends to undertake further detailed work in the requirement for accessible, adaptable and wheelchair user dwellings in accordance with the latest National Planning Practice Guidance in advance of any adopted policy in the Local Plan.

Policy HO9 sets out new homes should provide suitable space standards. The modification to the supporting text MM106 and MM107<sup>3</sup> set out that the Council will apply the national space standard as a benchmark for assessing the suitability of the proposed space standards of new homes. This is not a policy requirement and the supporting text sets out that the council intends to undertake further detailed work in regards to adopting the National Space Standard in accordance with the latest National Planning Practice Guidance, in advance of any policy requirement in the Local Plan.

The CIL Viability Addendum (CIL-004) has not directly considered the costs associated with the requirement for a proportion of accessible homes and nationally described space standard, as these standards are subject to further detailed work in advance of any policy requirement in the Local Plan, other than through the insulation in the base build cost assumptions (which are generally at least 5% above what 'volume' house builders are generally able to build at) and the inclusion of a 10% allowance for abnormal development costs. This is already a cautious approach as the BCIS figures are based on actual tender prices for the location, and should therefore already take into account the impact of topography and abnormal costs on average build costs. Therefore, the figures used in the base appraisals already allow for some insulation from cost increases associated with emerging Core Strategy policies in such cases.

The Council has recently commissioned consultants to produce a Housing Research Study on the evidence of need and viability for accessible housing and space standards. This report considers in detail the impact of accessible homes and applying the nationally described space standard on viability. This report has not yet been finalised but will inform the Council's approach to adopting any policy requirements in the Local Plan in the future.

The Council do not consider that the AAPs set any additional policy standards above the Core Strategy Policy requirements which are not allowed for in the uplift in build costs, S106 allowance and abnormal allowance in the CIL Viability Addendum (CIL-004).

*4. The Council has provided a list of S106 monies received in the last five years. However, these figures do not appear to have been broken down on the basis of category or scale of development, nor is there any indication, whether in the future, such funding would be expected to be sourced from CIL or S106/278 legal agreements, and how such figures have informed the allowance for S106 contributions which have been have been used in the viability studies*

### **Council's Response**

The Council has provided evidence on S106 monies collected as part of the CIL submission document (CIL-007). This includes information about the amount of funding collected in

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<sup>2</sup> Local Plan for the Bradford District Core Strategy DPD Proposed Main Modifications November 2015 p.74-75

<sup>3</sup> Local Plan for the Bradford District Core Strategy DPD Proposed Main Modifications November 2015 p.80-83

recent years from all developments through section 106 agreements in accordance with the CIL NPPG paragraph 019.

The Council propose to undertake further work to provide a more detailed analysis of S106 monies received including whether such funding would be expected to be sourced from CIL or S106/278 once the CIL is adopted. It is envisaged that this work can be completed by Monday 11th July 2016.

*5. The Infrastructure Delivery Plan sets out the quantum, and various categories of infrastructure required to implement the objectives of the emerging CS. I would appreciate confirmation that the IDP sets out the most up- to date position relating to the required infrastructure and funding, and that it includes the infrastructure referred to within the two emerging Area Action Plans for Bradford City, and the Shipley and Canal Road Corridor*

### **Council's Response**

The Local Infrastructure Plan (LIP) is based on information currently available and designed to be able to respond to changing infrastructure needs and circumstances over the Local Plan period. Consequently the Council treats the LIP as a 'live' document and update the report regularly made taking into account of changes to infrastructure needs and delivery. The submitted version of the LIP (December, 2015) has recently been updated (March, 2016) taking account of the most up to date available information and in collaboration with the relevant infrastructure providers. This latest LIP report will be made available for consideration as part of the CIL Examination.

The LIP (March, 2016) also incorporates all the infrastructure and funding information referred within the two Infrastructure Delivery Plans (IDP) which were produced in support of the Bradford City Centre and Shipley & Canal Road Corridor Area Action Plans. The Council can make the two IDPs available for consideration as part of the CIL examination, if required.

It should be noted that the latest update to the LIP still confirms that there is an identified infrastructure funding gap in the District required to underpin the introduction of CIL. The NPPG recognises there will be uncertainties in pinpointing infrastructure funding sources and CIL charging authorities should focus on providing evidence of an aggregate funding gap that demonstrates the need to put in place the levy (paragraph 016 ID 25-016-20140612). The Council considers that the LIP (December 2015) and updated LIP (March 2016) satisfies the CIL guidance and Regulations, in terms of demonstrating the aggregate funding gap and striking an appropriate balance.

*6. I note the Council's agents have run a viability assessment for a care home and found that it would not be able to sustain any CIL. However, I have not been able to find any viability assessment for sheltered, specially designed accommodation for the elderly or similar development.*

The CIL viability evidence (CIL-003, CIL-004) includes District wide testing of residential development that is most likely to come forward across Bradford. The viability evidence also included the testing of a care home scheme. The conclusion was that this type of development was not viable to bear CIL. Therefore, the CIL DCS excludes care homes and other forms of specialist accommodation in the C2 Use Classes Order from CIL charge.

The viability evidence does not include an assessment for sheltered/specialty designed accommodation or the elderly. In regards to the viability evidence the Council consider that the assumptions used within the CIL viability evidence for residential development generally

align with normal figures expected in the majority of developments. The Council recognise that certain residential schemes for specialist accommodation may adopt different inputs or use different models to those used within the CIL Viability Assessment.

In light of the additional viability information provided in the Addendum to Representation 0019 on the CIL DCS from The Planning Bureau Ltd on behalf of McCarthy & Stone Retirement Lifestyles Ltd, the Council is willing to meet with the representor to reach an agreed position in regards to the approach for viability testing of specialist retirement/elderly persons accommodation in the District and undertake further viability testing of this type of development as necessary.

*7. It would aid my understanding of the evidence underpinning the Draft Charging Schedule if there were clear links between the tables set out in the viability evidence and background information, including primary data where appropriate, such as base rates, figures and assumptions; for example, whether the threshold values relate to suburban, city centre or green field land. It would also greatly aid consideration of the evidence, if units of measurement were consistently applied. I would suggest that metric units be used.*

### **Council response**

The Council note the point raised. The Council will provide an update to the viability Evidence to ensure all tables are fully referenced and consistency of measurements is applied. It is envisaged that this work can be completed by Monday 11th July 2016.