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TORBAY CIL VIABILITY STUDY -

ADDENDUM REPORT -

reviewing and updating work carried out by -

Peter Brett Associates LLP -

for -

TORBAY COUNCIL -

in connection with that Council's

REVISED DRAFT CHARGING SCHEDULE -

to be submitted for Examination

August 2016

A.J.L.B.

INTRODUCTION

1.1 I have been asked to review the Economic Viability Report, delivered in January 2016 by Peter Brett Associates LLP (“PBA”); and to advise the Council on the following issues in particular:

- a) Whether the Council’s proposed charging zones (as shown on the Map at **Appendix D**) fairly reflect the viability of residential development in different areas of the Borough;
- b) Whether there is scope to seek CIL on sites of 1-3 dwellings, and if so at what rate; and
- c) Whether there is scope to seek CIL on sheltered housing/retirement living projects.

1.2 I have reviewed the data and analysis behind PBA’s Economic Viability Report, as far as I am able, and have also undertaken a review of the most recent sales on new build sites within the Borough in conjunction with local estate agents, Novahomes. This effectively updates the information upon which PBA’s Report in January 2016 was based, but has also enabled a more detailed analysis of market values within different areas of the Borough.

1.3 By way of personal background, I am a Fellow of the Royal Institution of Chartered Surveyors. I have an extensive experience in Town Planning & Development work/practice, which has included undertaking Viability studies for various local planning authorities – including Torbay Council – since 2009. I also provide training/refresher courses on Viability in Planning and Development Economics generally, for Local Authority staff and elected members, aimed at improving skills and a general understanding of viability issues across the industry. A personal profile is attached as **Appendix F**.

CURRENT MARKET VALUES for RESIDENTIAL PROPERTY

2.1 I attach (**Appendix A**) an analysis of my review, with Novahomes, of recent sales (during 2016) of new residential property within the Borough. Account has also been taken in this analysis of asking prices for properties that are still available on current development projects, although those figures have in all cases been discounted by 5%.

2.2 Geographically, there are gaps within this new data, as some areas within the Borough do not present very recent/current residential development projects. So, in conjunction with PBA, I have reviewed and updated the data that they drew from the UK Land Registry to inform their earlier studies. This data includes a broader range of property sales (both new and second-hand properties) but is none the less useful in helping to establish a complete picture of market values across Torbay.

2.3 The results of this re-analysis of the Land Registry data are set out in **Table 1 at Appendix B**, with (for comparison) the market values applied in PBA’s Economic Viability Report in January 2016, as well as the results from my work with Novahomes. Values are expressed throughout in terms of a rate per sqm, and are derived by dividing recorded information on the price for which property has been sold by floor areas obtained from the EPC Register on the DCLG/UK Government website. It can be seen that, in a zone by zone analysis of the Borough, some market values are higher than the average rate derived from the Land Registry data, and some are lower.

2.4 In accordance with current Planning Practice Guidance and the original recommendations in the Harman Report, the viability of development and its capacity to pay a community infrastructure levy should not be tested at the margins of viability, but should allow an appropriate “cushion” or “buffer”. I have therefore asked PBA to re-run the appraisals they undertook for their January 2016 Study and Report, using the same site typologies as are contained in that Report, but based on the market values set out in **Table 2 at Appendix B**, which are derived from the collected summary of market evidence in Table 1.

2.5 The results from this exercise are set out in the table at **Appendix C**, which expresses the margin or surplus available to pay a community infrastructure levy, as a figure in £ per sqm. This margin is

the financial surplus available after taking account of all development costs (including developer's profit) at the same rates as were used in the January 2016 Report, but using the market values (in £ per sqm) shown in Table 2 at Appendix B.

2.6 In the appraisal work carried out in January 2016, PBA used only two typologies (4 dwellings inside and outside the built up areas) within the 4-14 dwelling development category. I felt that this should be replaced with typologies more central to the 4-14 dwelling category, which has led to our introducing a replacement 8 dwelling typology, as shown at Appendix C.

ANALYSIS OF RESULTS

3.1 From the results tabulated in Appendix C, I draw the following conclusions:

- a) In current market conditions, the profitability/viability of smaller developments (1-3 dwellings) is weak, in both Zone 1 and Zone 2 throughout the Borough. There is a risk that such development will not come forward if it is subject to a CIL charge.
- b) All other development typologies (with the exception of Extra Care schemes) show a more robust measure of viability, with residual margins in all cases exceeding the proposed CIL rates (shown in **Table 3 at Appendix B**) with an appropriate "cushion".
- c) Developments for sheltered accommodation/retirement living should similarly be able to support a reasonable CIL charge; but that is not the case with Extra Care schemes, due to such schemes carrying a greater amount of communal space from which no revenue is derived.

3.2 In the re-appraisal of all typologies, an adjustment on the quantum of affordable housing has been made to reflect the Court of Appeal decision in May 2016 in the West Berkshire/Reading case¹.

CHARGING ZONE MAPS

4.1 I considered the proposed Charging Zone Map (Appendix D) at an early stage of my Review, and made an initial recommendation that the Map should be transferred to the Ordnance Survey base, so that the correlation between Charging Zone boundaries and the Ordnance Survey maps can be more readily established.

4.2 The Charging Zone boundaries have then been reviewed so as to ensure, in particular, that the boundaries between Zone 1 (the most deprived areas) and Zone 2 (the rest of the built up area) are a reasonable/correct fit with our knowledge of the local property market. This exercise has resulted in some very minor, common sense adjustments to the boundaries between these two Zones, as shown on the maps at **Appendix E**. In my opinion, and according to the principle that a lower CIL rate is to be applied to development in the most deprived areas than in the remainder of the built up area, the Charging Zone Maps at Appendix E now describe appropriate boundaries between the four Charging Zones that the Council has proposed.

4.3 In practice, there could be cases where a proposed development site falls within more than one Charging Zone. In such cases, I recommend that CIL should be charged at the lower rate applicable, if the site is within two Zones; or at the median of the rates that could apply, if the site is within more than two Zones – with the proviso that if the part within any one Charging Zone is less than 10% of the whole area of the site, that part should effectively be ignored for this purpose.

¹ *R (West Berkshire District Council and Reading Borough Council) v. Secretary of State for Communities and Local Government* [2016] EWCA Civ 441

CONCLUSIONS

5.1 I have considered the CIL charging rates proposed by the Council in the Revised Draft Charging Schedule, and which are set out in Table 3 at Appendix B.

5.2 Comparing these proposed charging rates with the results of re-testing the various development typologies in Appendix C, I find that the Council's proposals are unlikely to put development at risk, except in the case of the smallest development category (1-3 dwellings) in Charging Zone 2. **In my opinion, a zero rate of CIL should be applied to developments of 1-3 dwellings in both Zone 1 and Zone 2.**

5.3 I also find that sheltered housing/retirement living developments are unlikely to be put at risk by the proposed CIL rates, but that it is right to exclude Extra Care schemes from the charge.

5.4 This Report is made for Torbay Council, for the purposes of assessing the appropriate level of CIL charges across the Council's administrative area. It has been prepared with all reasonable skill, care and diligence, and in a manner consistent with the RICS Practice Statement and Guidance Note for Surveyors acting as Expert Witnesses. Nevertheless, no duty of care can be accepted to third parties for the whole or any part of its contents.

Andrew Burrows MA FRICS

Director

Burrows-Hutchinson Ltd

Strategic Asset Management

Economic Regeneration and Viability

Energy Conservation and Performance

22nd August 2016

LIST OF APPENDICES

Appendix A	Analysis of New Build Values	PDF file
Appendix B	Gross Development Values and Proposed CIL rates	PDF file
Appendix C	Financial Viability Results	PDF file
Appendix D	Charging Zones Map (as proposed by the Council)	PDF file
Appendix E	Charging Zone Maps (as revised following this Review)	CD
Appendix F	Personal Profile	PDF file

Torbay New Build Values

Appendix A

Torquay	Zone 1 Value range		
	Low £/m ²	High £/m ²	Avg £/m ²
Retirement Flats			
Non- Ret Flats	£1,964	£3,555	£2,393
2 Beds	£2,089	£3,530	£2,712
3 Beds	£1,086	£2,769	£1,931
4 Beds			
Houses - avge			£2,188

Zone 2 Value Range		
Low £/m ²	High £/m ²	Avg £/m ²
£3,240	£4,659	£3,888
£2,895	£3,872	£3,147
£2,308	£2,308	£2,308
£2,507	£2,691	£2,535
£2,187	£2,692	£2,439
Houses - avge		£2,432

Zone 3 Value range		
Low £/m ²	High £/m ²	Avg £/m ²

Paignton	Zone 1 Value range		
	Low £/m ²	High £/m ²	Avg £/m ²
Retirement Flats	£3,265	£4,870	£3,925
Non- Ret Flats	£2,941	£3,305	£2,946
2 Beds			
3 Beds			
4 Beds			
Houses - avge			N/A

Zone 2 Value Range		
Low £/m ²	High £/m ²	Avg £/m ²
£3,915	£4,054	£3,995
£2,692	£2,885	£2,788
£2,475	£3,328	£2,592
£1,796	£3,117	£2,421
Houses - avge		£2,536

Zone 3 Value range		
Low £/m ²	High £/m ²	Avg £/m ²

Brixham	Zone 1 Value range		
	Low £/m ²	High £/m ²	Avg £/m ²
Retirement Flats			
Non- Ret Flats	£2,907	£4,333	£3,487
2 Beds			
3 Beds			
4 Beds			
Houses - avge			N/A

Zone 2 Value Range		
Low £/m ²	High £/m ²	Avg £/m ²
£3,554	£5,777	£4,666
£2,205	£2,238	£2,222
	£2,051	£2,051
Houses - avge		£2,173

Zone 3 Value range		
Low £/m ²	High £/m ²	Avg £/m ²
	£4,230	£4,230
£3,135	£4,230	£3,622
£2,788	£3,107	£2,933
Houses - avge		£3,418

TABLE 1

Average of achieved value per sqm		All data		New Build data only		
PBA		Jan 16	Jul 16	Zone 1	Zone 2	Zone 3
Brixham - All			£2,600			
	Houses	£2,500	£2,600		£2,173	£3,418
	Flats	£2,700	£2,800	£3,487	£4,666	
Paignton - All			£2,400			
	Houses	£2,500	£2,400		£2,536	
	Flats	£2,700	£2,200	£2,946	£3,995	
Retirement				£3,925		
Torquay - All			£2,800			
	Houses	£2,500	£2,400	£2,188	£2,432	
	Flats	£2,700	£3,000	£2,393	£3,147	
Retirement					£3,888	
TORBAY - AVERAGE		(average figures all rounded)	£2,500	£2,750	£3,150	£3,400
Average	Houses		£2,400	£2,200	£2,400	£3,400
Average	Flats		£2,700	£2,900	£3,900	

TABLE 2**Average Value in £ psm**

Development Size	Type	Zone 1	Zone 2	Zone 3	Zone 4
1-3 net dwellings	Houses	£2,200	£2,400	£2,900	£2,900
4-14 net dwellings	Flats	£2,700	£2,900	£3,000	£3,000
15+ net dwellings	Dwellings	£2,400	£2,700	£2,900	£2,700
15+ net dwellings	Flats	£2,700	£2,900	£3,000	£3,000
Retirement/Extra Care	Dwellings	£3,500	£3,500	£3,500	£3,500

TABLE 3**CIL Rates in Revised DCS with Modifications**


Development Size	Zone 1	Zone 2	Zone 3	Zone 4
1-3 net dwellings	£0	£30	£70	£70
4-14 net dwellings	£30	£70	£70	£70
15+ net dwellings	£30	£70	£140	£0

Testing with AH Policy and Access Standards applied


Site typology	OM dwelling type (%)				AH dwelling type (%)				Value area	Site area (Net Ha)	Benchmark Land Value (£ per Ha)	Affordable housing %age	Margin available for CIL (£ per sqm)			
	1-2 bed Flats	2-bed house	3-bed house	4-bed house	1-2 bed Flats	2-bed house	3-bed house	4-bed house					Zone 1	Zone 2	Zone 3	Zone 4
Brixham (2 dwellings)	0%	64%	3%	33%	0%	80%	5%	15%	IBA	0.05	£880,000	0%	-£228	-£86		
Brixham (8 dwellings)	100%	0%	0%	0%	100%	0%	0%	0%	IBA	0.14	£880,000	0%	£211	£353		
Brixham (15 dwellings)	0%	64%	3%	33%	0%	80%	5%	15%	IBA	0.37	£880,000	15%	£115	£338		
Brixham (20 flatted)	100%	0%	0%	0%	100%	0%	0%	0%	IBA	0.20	£550,000	20%	£216	£376		
Brixham (2 dwellings)	0%	64%	3%	33%	0%	80%	5%	15%	OBA	0.06	£880,000	0%			£276	£276
Brixham (8 dwellings)	100%	0%	0%	0%	100%	0%	0%	0%	OBA	0.16	£880,000	0%			£375	£375
Brixham (15 dwellings)	0%	64%	3%	33%	0%	80%	5%	15%	OBA	0.43	£880,000	25%			£475	£311
Paignton / Torquay (2 dwellings)	0%	64%	3%	33%	0%	80%	5%	15%	IBA	0.05	£880,000	0%	-£228	-£86		
Paignton / Torquay (8 dwellings)	100%	0%	0%	0%	100%	0%	0%	0%	IBA	0.14	£880,000	0%	£211	£353		
Paignton / Torquay (15 dwellings)	0%	64%	3%	33%	0%	80%	5%	15%	IBA	0.37	£880,000	15%	£115	£338		
Paignton / Torquay (25 dwellings)	0%	64%	3%	33%	0%	80%	5%	15%	IBA	0.62	£550,000	20%	£195	£429		
Paignton / Torquay (100 dwellings)	0%	64%	3%	33%	0%	80%	5%	15%	IBA	2.49	£550,000	20%	£191	£423		
Paignton / Torquay (20 flats)	100%	0%	0%	0%	100%	0%	0%	0%	IBA	0.20	£550,000	20%	£216	£376		
Paignton / Torquay (50 flats)	100%	0%	0%	0%	100%	0%	0%	0%	IBA	0.39	£550,000	20%	£251	£409		
Paignton / Torquay (150 flatted)	100%	0%	0%	0%	100%	0%	0%	0%	IBA	1.17	£550,000	20%	£256	£412		
Paignton / Torquay (2 dwellings)	0%	64%	3%	33%	0%	80%	5%	15%	OBA	0.06	£880,000	0%			£276	£276
Paignton / Torquay (8 dwellings)	100%	0%	0%	0%	100%	0%	0%	0%	OBA	0.16	£880,000	0%			£395	£395
Paignton / Torquay (15 dwellings)	0%	64%	3%	33%	0%	80%	5%	15%	OBA	0.43	£880,000	25%			£475	£311
Paignton / Torquay (25 dwellings)	0%	64%	3%	33%	0%	80%	5%	15%	OBA	0.71	£880,000	25%			£476	£313
Paignton / Torquay (100 dwellings)	0%	64%	3%	33%	0%	80%	5%	15%	OBA	2.84	£550,000	30%			£598	£430
Paignton / Torquay (200 dwellings)	0%	64%	3%	33%	0%	80%	5%	15%	OBA	5.69	£550,000	30%			£527	£360
Edginswell Future Growth Area	0%	64%	3%	33%	0%	80%	5%	15%	OBA	15.09	£550,000	30%			£426	£262
Wall Park Future Growth Area	0%	64%	3%	33%	0%	80%	5%	15%	OBA	4.65	£550,000	20%			£547	£394
Extra care	100%	0%	0%	0%	100%	0%	0%	0%	N/A	0.40	£1,000,000	20%	-£16	-£16	-£16	-£16
Retirement Living / Village	100%	0%	0%	0%	100%	0%	0%	0%	N/A	0.37	£1,000,000	20%	£187	£187	£187	£187

Torbay CIL Residential Charging Zones


Charging Zone 1

 Urban areas within the 20 percent most deprived LSOAs (excluding Future Growth Areas)

Charging Zone 2

 Outside 20 percent most deprived LSOAs & within the Built Up Area

Charging Zone 3

 Outside the Built Up Area (i.e. within the Countryside Area)

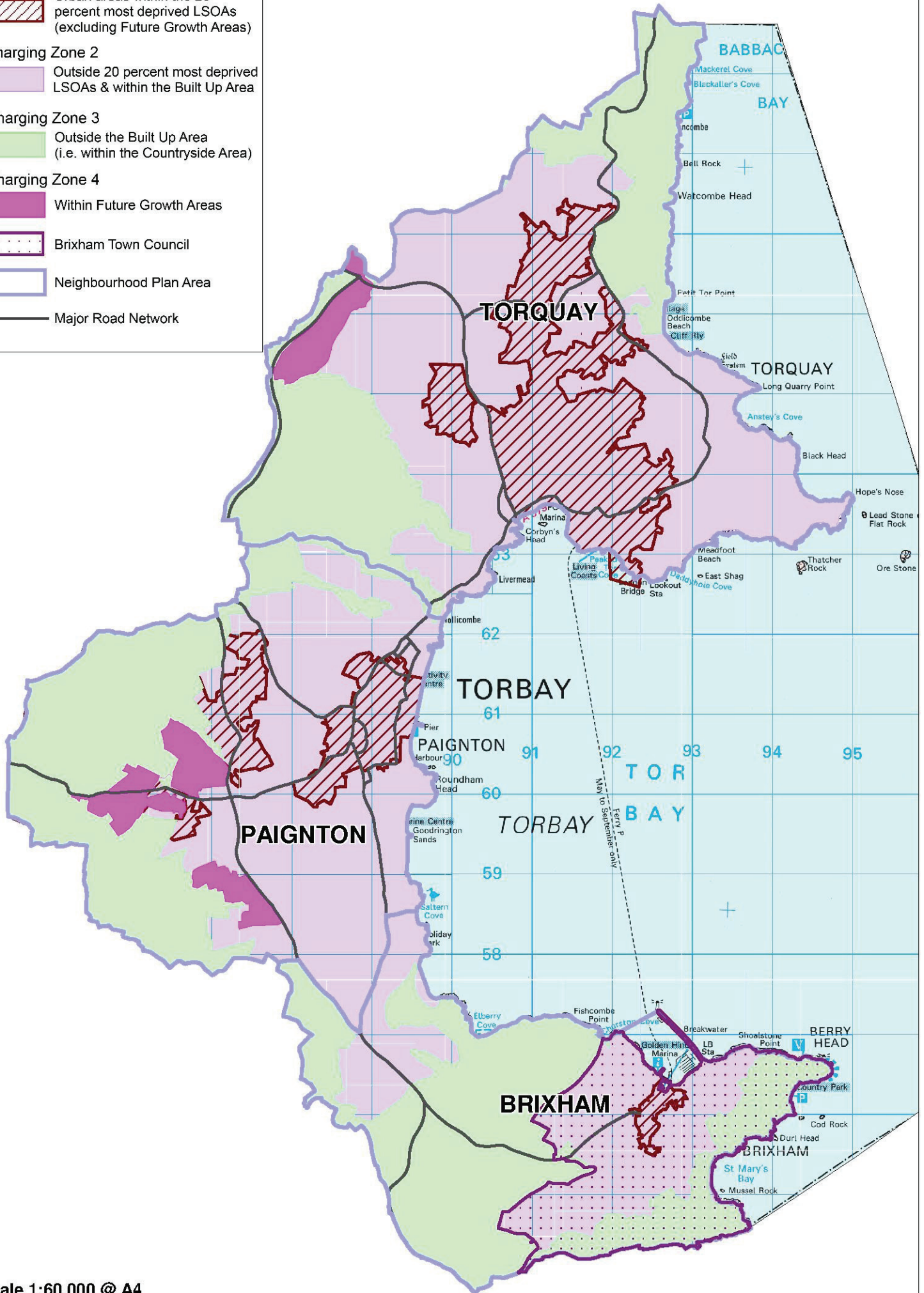
Charging Zone 4

 Within Future Growth Areas

 Brixham Town Council

 Neighbourhood Plan Area

 Major Road Network



Scale 1:60,000 @ A4

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Profession	Chartered Surveyor (Planning & Development)
Position	Director
Qualifications	Fellow of the Royal Institution of Chartered Surveyors MA (Cantab)
Profile	Andrew has 40 years professional experience in a very broad range of surveying disciplines, from Land Management and Town Planning/Development, to General Practice work and Building/Quantity Surveying.



He has represented a wide variety of UK business clients in both Public and Private Sectors; holding full P & L responsibility for the client's affairs in many cases. His particular strengths are in **Development Economics** and **Strategic Asset Management**, to which he brings a highly analytical approach and strong negotiating skills. He also has extensive experience in project management, with a long track record of working with/leading multi-discipline teams.

His recent work includes advising HM Courts Service on their Regional Estates Strategy in South West England; and consultancy work (plus training) for 5 local authorities in Devon on development viability and affordable housing issues. Whilst extending the scope/reach of his training facilities in Development Economics, he is also researching/developing new funding sources for Public Sector projects, and a Community Development vehicle for the delivery of economic regeneration.

He has developed his own financial models for Viability and Option Appraisals (including Whole Life Costing), as well as providing advice/support to better-known software houses.

Recent/Current Projects

Teignbridge District Council (since 2009)

Advising the Council's Planning and Economy & Regeneration teams on **development viability** issues relating to new employment and affordable housing schemes. Consultant and lead co-ordinator on major projects and strategic issues, including procurement under EU regulations of a food supermarket and ancillary development, on a former landfill site; preliminary **master-planning** redevelopment of Newton Abbot town centre, and acquiring strategic sites for the Authority with Growth Point funding.

Exeter City and Torbay Councils (since 2011) **and also** North Devon Council and Dartmoor NPA (since 2013)

Advising on Development Economics and Affordable Housing viability issues; working with Council staff to secure appropriate community and other infrastructure gains from new development proposals. **Creating bespoke financial models** for the assessment of development viability; training Council staff how to use them. Undertaking a Review of all Council-owned land in Exeter for potential affordable housing developments.

Bristol City Council (since 2012)

Preliminary advice on Community Funding for affordable housing and economic regeneration projects. Committee/team member of the "**Building a Better Bristol**" project.

Public Speaking & Training/Refresher Courses

Various public speaking engagements and presentations on **strategic asset management**, **development economics** and **energy performance** issues, e.g. Think 08 Excel conference (May 2008), OGC Working Space conference (July 2008) and the SW Housing Enabling Network (inaugural forum, October 2012).

External lecturer in Strategic Asset Management at the **University of the West of England** 2009-2010; and Member of the Institute for Fiscal Studies. Now offering training/refresher courses on "**Viability in Planning**" to Local Authority staff and Elected Members throughout the South & West of England.

Other Key Experience / Positions

1975 to 2000 – STRUTT & PARKER

Equity Partner with national responsibility for two departments – **Regional Agency & Development**, and **Building Surveyors** – involving 50+ staff spread across 9 offices throughout the UK. Responsible for the financial management of both departments; the personal development and training needs of their various teams; marketing and promoting the business; formulating business strategy and other policies. Also Partner i/c QA issues/qualification nationally. Broad range of professional work encompassing:

- **Planning and negotiation of major development schemes**, and an often detailed involvement with Town Planning issues – County Structure & Local Plan representations, various public inquiries (as advocate or expert witness), planning applications/appeals.
- Rural, residential and commercial **property management**, rent reviews, lease renewals and other Landlord and Tenant work.
- **Sales and purchases** of commercial property and development land, on a regional basis.
- **Valuations** of commercial and residential property and development land for several of the major clearing banks, other institutions, developers and private clients.

Eastbourne, Hampden Park (1990-1993)

Overall co-ordinating responsibility for the **planning and delivery** of a 70,000 sq ft Sainsbury foodstore, local Relief Road and floodwater mitigation scheme, with a total contract value in excess of £40 million. Work included negotiation of an easement from BR Property Board on fully commercial terms.

Sussex Enterprise (1991-1994): *pro bono*

Chair of Transport Working Group set up to find and promote solutions to the South East Region's transport infrastructure deficiencies and problems. The Group produced a comprehensive report to the Government's White Paper on **Integrated Transport Strategy**, which was well received by Ministers.

Eastbourne College of Arts and Technology (1992-1996)

Strategic review of the College's property portfolio; recommendations for rationalisation/improvement; negotiation of planning briefs for surplus sites, and marketing those to maximum advantage; creation of new central campus by acquisition of a state-of-the-art HQ building at a particularly favourable price.

Trustees of the Chatsworth Settlement (1995-2000)

Agent to the Trustees and the Duke of Devonshire in the **management of their Sussex and London Estates**. Substantial holdings in commercial and residential let property, as well as leisure, tourism and marina enterprises. Full P & L responsibility for the activities of the Estate office in Eastbourne, and for **promoting sustainable development** opportunities on under-utilised farmland on the urban fringe.

2001 to present – BURROWS-HUTCHINSON LTD

Co-Founder/Director of this **Building Surveying & Architectural practice**, based originally in central Brittany, providing the following overseas services to mainly UK clients:

- Building Surveys and comprehensive reports throughout Brittany, the Loire valley, the Vendée and Charente; together with consultancy/advice on building and planning issues, for leisure/conference and holiday facilities as well as residential accommodation
- Co-ordination and management of local French artisans on building projects with a contract value up to 750,000€ (including the renovation/refurbishment of 3 châteaux in the Loire valley, and a large farmhouse in Deux-Sèvres).

Her Majesty's Courts Service (2007-2009)

Strategic Review of Estates Policy for 100 Court buildings across 8 UK counties, balancing financial objectives (driven by the 2007 CSR) with the operational needs and aspirations of the Courts Service. Rating/scoring each property against 5 key criteria, as a means of focusing on strengths and weaknesses in the Estate. Review of space utilisation, staff functions and scope for integrations, in order to achieve **Best Value**. Advice on the implications of the EPBD, and on improving/maximising energy efficiency in the most cost-effective way. Preparation of Strategic Outline Case summaries, with DCF appraisals using **Whole Life Costing** principles, for specific change proposals. Sourced City funding (**£300m**) for these proposals based on financial modelling with 25/30-year leases and index-linked rents.