

Andrew Hunt

From: Andrew Cunningham [REDACTED]
Sent: 12 July 2016 12:41
To: CIL
Cc: 'David Head'
Subject: Community Infrastructure Levy - Preliminary Draft Charging Schedule

Mr Loughlin

Further to your 8th June 2016 letter please note our response below.

We believe that CIL can have a part to play however have not seen it introduced in any borough without it having a detrimental effect on small house builders therefore reduces new house contributions and jobs from small house builders. We believe that CIL should only apply in the same way S106 does at present and have a staggered impact ie: not applicable for sites less than 5No dwellings, from 5-10No dwellings the rate matching present S106 and for sites over 10No dwellings to offset CIL against affordable housing contributions.

The Keppie Massie report does not seem to investigate profitability of small site which are not simply pro rata of larger sites. The proposed CIL charge is not a percentage on top of costs rather a percentage off the bottom line, reducing profit and increasing risk too much, making it unviable and unpalatable for small house builders to commit. Whilst house prices are seeing small increases, this is not translated into matching increased profit, rather the increase in house price increases land value and wages as well as profits increasing which is only pro rata of living costs increasing. None of this creates additional surplus to be able to pay CIL without any impact on the house builder or land owner. Therefore the only conclusion is that land values decrease, which means some land owners will land bank and house builders profits will reduce which means that some houses will not be built. Our anecdotal experience since the introduction of the £85/m² CIL at WLBC identified as viable by Keppie Massie is that both of the small house developments for two dwellings on each site we have gain planning approval for have not progressed on site. A third development for two dwellings would also of been mothballed due to a £25,000 CIL however we found a way of side stepping the CIL charge so they have now been built.

CIL RATES

- Sefton are proposing **Southport** £40/sqm, so for a small house of say 120sqm, the CIL charge would be £40 x 120sqm x CIL Index 1.139 (partially linked to inflation etc) = **£5,467** which would be payable up front upon start on site.
This is straight out of the developers profit and will stop some sites progressing.
- **Formby** The same new house of 120sqm in Formby would be £125 x 120sqm x Index = **£17,089** which is not insignificant.
And so, a small scheme would be £15k – 20k CIL per unit (depending on size), so a 5 units scheme could be liable for **£100,000** CIL without thinking too hard.
- As a comparison **West Lancs** have already implemented CIL rate at £85/sqm
In West Lancs, we have seen a slowdown in houses getting built (sites getting mothballed) because of the prohibitive CIL costs.
On a small scheme of 5 houses in West Lancs for example, the CIL is £8-10k per unit.
- And **Chorley** is £75/sqm

GENERAL COMMENTS

- Our view is that CIL is basically a 'developer tax', and whilst we could understand the S106 applicable to larger schemes which impacted infrastructure/ roads/ parks/services and so on, a single new house has minimal impact.
- And the rates proposed (though lower than neighbouring Councils in the case of Southport) still does not reflect the true profit reality, nor the timeline (and associated costs) involved in buying a site/ working for sometimes 1y+ on a planning permission/ building & financing that development for 1-2years/ and then the difficulty of trying to sell that finished site to the open market (because of bottlenecks with bank lending/ mortgages etc).
- For CIL the Council get their money up front, and yet the developer does not realise any profit for perhaps 2-3 years... this seems unfair/ unsustainable.
- And whilst we understand Council coffers are low, it seems to us counter-productive (especially in this fragile economic climate) to penalise developers, when house-building is only just finding its way out of the recession. If the money does not exist, it will not appear just because you implement a policy, there will be losers and it will be the small house builders who will lose the most because at present they do not need to budget for S106 or affordable housing.
- And all of this against a background of the government introducing the National Planning Policy Framework in an attempt to strip out red tape for developers and improve planning conditions for building...
- And CIL seems counter-productive against the background of the Council looking to build 5,000 homes over the next 15 years...
- We think there are clear lessons to be learned from West Lancs, which are not factored in to Sefton's appraisal.

GENERAL COMMENTS

At this stage we cannot advise on how planning may be impacted, but we do know CIL is 'black and white' and no wiggle room, once implemented.

We do know that West Lancs introduced CIL 'overnight' with minimal warning and any scheme which was in planning (but not yet determined) was hit for CIL.

(We had one scheme for 2 houses hit midway through planning which added £25k to the developer's bill... and which he could not progress as it wiped his profit)...

Some of our clients have advised us that they no longer look to develop in WLBC due to CIL. Expect a similar response in SMBC if CIL is introduced as you propose. This CIL draft feels the same as the failed moratorium that had a detrimental impact on house building across the country. Agents warned against the impact at the time but our concerns were not heard and we all had to live with the consequences. Of course consequences of decisions like these will only become clear in years to come and can easily be hidden if the research does not differentiate between small and large sites.

We welcome the principle to allow developers to make a financial contribution rather than build affordable housing on their sites. The financial contribution will need to be reasonable to be affective rather than detrimental. This has been needed since the introduction of affordable housing many years ago.

We trust you are able to take our concerns into account.

Andrew Cunningham

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