

Mr P Staddon BSc DIP MBA MRTPI  
Inspector for Three Rivers District Council's  
Community Infrastructure Levy Charging  
Schedule  
c/o Ian Kemp

My Ref : DCES/RM/CM  
Your Ref :  
Date : 21 November 2014  
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Department : Development Plans

Dear Mr Staddon,

### **Examination of Three Rivers Draft Community Infrastructure Schedule**

In response to your request for further clarification, I set out my comments below:

1. The Council's supporting CIL evidence was undertaken through three studies, each effectively updating the previous. Therefore the viability conclusions reached in the Stage 2 update are those which the proposed CIL is being determined upon.

Stage 1 was undertaken as part of a wider piece of work for a number of Hertfordshire Authorities which reached initial conclusions about what appropriate CIL rates could be anticipated for each of the authorities involved. It was apparent through the preliminary conclusions that further detail "finer grain" analysis of various uses would be beneficial to ensuring the concluded rates were robust. Stage 1 did, however, identify a number of uses which it was deemed were unable to afford a CIL as well as number of uses whose input assumptions were not affected by geography. This work was undertaken in 2011- 2012, however, the report was not released until all authorities were satisfied in December 2012.

Through the initial findings of the Stage 1 report, Three Rivers commissioned a Stage 2 report which was to consider a finer grain analysis, particularly regarding residential development, to inform the appropriate CIL rates proposed in the draft charging schedule. The conclusions of the Stage 2 report therefore supersede those of the Stage 1 report. Due to delay in realising the Stage 1, the Stage 2 report was also published in December 2012.

The Stage 2 report was used to inform the preliminary charging schedule; however, following various responses to the public consultation, changes in the distribution of anticipated residential development and commentary relating to emerging CIL examinations, the Council commissioned an update in May 2014 to ensure the proposed CIL rates remained valid. This updates specifically considered residential and commercial development. The methodology in the Stage 2 update report remains the same however adjustments have been made on the inputs to reflect May 2014.

The conclusions of the Stage 2 update (May 2014) were that the proposed CIL rates in the preliminary charging schedule which was based upon the Stage 2 report remained valid with the exception of the retail rate which was proposed to reduce from £120 psm to £60 psm. In fact allowing for market movements and changes in distribution of anticipated residential development the results produced a greater buffer to the proposed residential rates.



2. Table 6 of CIL5 shows that all of the proposed areas can support the proposed CIL rates in the charging schedule. However, the distribution of development has changed between Stage 2 (Dec 2012) and the Stage 2 update (May2014) and this has changed the dynamics of the impact of CIL, particularly as Abbots Langley previous had no “R” (<25 dph) proposals and very little “XU” (>70 dph).

Table 1 showing a comparison of distribution between Stage 2 and Stage 2 update.

Area		Stage 2	Stage 2 update
Kings Langley	WD4	205 (20%)	50 (3%)
Abbot Langley	WD5	55 (5%)	142 (8%)
Leavesden	WD25	30 (3%)	137 (8%)
Rickmansworth/Croxley Green	WD3	333 (33%)	854 (50%)
South Oxhey	WD19	355 (35%)	463 (27%)
Eastbury	HA6	30 (3%)	48 (8%)
Total		1,008	1694

Area blended rates were concluded by considering the average achievable rate by post code. The postcodes were then clustered into three CIL Bands of similar results with the lowest resulting CIL rate for a postcode area being applied to the band. The below table demonstrates the average CIL by postcode:

Table 2 showing update achievable CIL rates by Post code.

	CIL Band Rate	Generated CIL Rate (£psm)	Proposed CIL (£psm)	% of Band Rate	% of total development
WD4	2	141	120	15%	3%
WD5	2	125	120	43%	8%
WD25	2	135	120	41%	8%
WD3	1	197	180	95%	50%
WD19	3	5	0	100%	27%
HA6	1	203	180	5%	8%

All postcodes in CIL Band 1 can afford a CIL rate of £197 psm with 13% of the anticipated units in this band (or 7% of the total development) being limited to £182 psm.

All postcodes with CIL Band Rate 2 can afford £125 psm. 56% of the anticipated units in this CIL band can afford a rate of £135 psm or higher; with 23% (or 8% of total development) being limited to £122 psm.

Therefore, whilst we recognise that certain typologies within postcodes, particularly in WD5 appear to be close to the proposed CIL rates, over 90% of proposed development in both bands have been estimated to be able to support c.10% more than the proposed CIL rates for the two chargeable bands.

Further to the above and as set out in the Stage 2 (Dec 2012) report, prior to concluding CIL rates, reasonable contingencies/buffers are included in the applied assumptions as set out below:

- 5% externals (extra over Build cost).
- 10% abnormal allowance (extra over Build cost).
- 4% for code for sustainable homes (extra over Build cost).
- 5% contingency (extra over all development costs).
- Increase in 2012 residential costs by c.1%

- Average increase in residential sales values since 2012 of c.10%.
- Residential Site Values applied in 2012 were an average of 25% above Industrial land values.
- Residential Site Values in the 2014 update increased by an average c.20% over those applied in 2012. The applied site values used to assess residential CIL are now 40% over Industrial land values.
- Residential CIL rates reduced 20% from Stage 1 due to refinement with postcodes.

We are therefore confident the methodology and assumptions used to derive the proposed CIL rates will not put the overall development across Three Rivers at serious risk and reasonably consider issues of development marginality.

3. As requested, the proposed CIL charges as a proportion of development costs for the residential and commercial types based on the Stage 2 update (May 2014) outputs are set out in a tabular form below:

Table showing residential CIL rates as a percentage of Development costs

Area	Typology	Calculated CIL rate	Proposed CIL Rate	Proposed CIL % of Development costs	Proposed CIL as % of development costs excluding land and profit
WD4	25 units	126	120	1.8%	2.4%
WD4	40 units	144	120	2.5%	3.9%
WD5	25 units	128	120	2.4%	3.9%
WD5	40 units	125	120	2.4%	3.9%
WD5	70 units	122	120	2.2%	3.0%
WD25	25 units	133	120	2.5%	3.9%
WD26	40 units	129	120	2.5%	3.9%
WD3	25 units	182	180	3.1%	5.5%
WD3	40 units	200	180	3.1%	5.3%
WD3	70 units	196	180	2.8%	4.0%
WD3	100 units	207	180	2.4%	3.3%
WD19	40 units	17	0		
HA6	40 units	203	180	3.0%	5.7%

Table showing commercial CIL rates as a percentage of Development costs.

Use	Area	Calculated CIL rate	Proposed CIL Rate	% on Development costs	% of development costs excluding land and profit
Retail	Chorley	66	60	1.3%	4.1%
Retail	Croxley	66	60	1.3%	4.1%
Retail	Rickmansworth	96	60	0.8%	3.7%
Retail	Abbots Langley	70	60	1.3%	4.1%
Retail	South Oxhey	30	0		
Retail	Mill End		60	1.3%	4.1%
C1	Authority Wide	145	120	4.0%	5.3%
C2	Authority Wide	163	120	2.5%	5.1%

4. Question four appears to be directed at the Draft Charging Schedule questioning why a charge is being proposed for “retirement housing” of £120 psm, when all other residential development in Area 3 is concluded to be unviable with a charge.

It appears this is a question of definition, if the use is defined as “C2” it would effectively not be charged CIL in Area 3, however if it is regarded as “C3” Private Care Home, then it would be charged at a rate of £120 psm. The market dynamics of a Private Care Home are not the same as C3 housing and it is not anticipated they would be affected by mirco-market economics.

Yours sincerely,

A handwritten signature in black ink that reads "Claire May". The signature is written in a cursive, flowing style.

Claire May MSc MRTPI  
Principal Planning Officer