



GOSPORT
Borough Council

Date 30/10/2014

Ref No.

CIL-REP11

For office use only

Gosport Community Infrastructure Levy Draft Charging Schedule Consultation Response Form

(Community Infrastructure Levy 2010 as amended Regulation 16)

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Gosport Community Infrastructure Levy documents are available to view on the Gosport Borough Council website: www.gosport.gov.uk/cil

Paper copies of the response form are available in the libraries and at the Town Hall (3rd floor reception).

If you would like to discuss any element of the consultation documents further then please contact/telephone Planning Policy **023 9254 5228**

All comments and completed forms should be returned by **5.00pm on 30th October 2014**

either to **Planning Policy**
Gosport Borough Council
Town Hall
High Street
Gosport
Hampshire
PO12 1EB

Print

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or response forms can be returned by email to planning.policy@gosport.gov.uk

Gosport Community Infrastructure Levy Draft Charging Schedule

consultation:

Please use a separate form for each representation

1. Do you consider that the CIL rates proposed in the draft charging schedule for different types of development are appropriate for Gosport Borough?

Please tick

Yes No

If No please state reasons below:

SEE ACCOMPANYING STATEMENT.

Other comments:

SEE ACCOMPANYING STATEMENT.

2. If your representation is seeking a change, do you consider it necessary to participate at the Examination?

No I do not wish to participate in the examination hearings
 Yes I do wish to participate in the examination hearings

3. If you wish to participate, please outline why you consider it necessary.
(please note the Inspector will determine the most appropriate procedure to adopt to hear those who have indicated that they wish to participate at the oral part of the examination).

TO ALLOW A FULL AND THOROUGH DISCUSSION OF THE ISSUES RAISED IN THIS REPRESENTATION.

4. Do you wish to be notified at the address/email stated on page 1 of any of the following:

- a. that the draft Charging Schedule has been submitted for independent examination
- b. the Inspector's report has been published
- c. the adoption of the Charging Schedule

Data Protection

The comments and details of the responses on this form will be recorded on the Borough Council's Local Development Framework database. The Council is registered in accordance with the Data Protection Act 1998 and any data collected will only be used for the purposes of the Gosport Local Development Framework. Please note that your responses are public documents and available for public scrutiny.

Continued from Question 1 2 3 Other comments

30th October 2014**GOSPORT BOROUGH COUNCIL: DRAFT COMMUNITY INFRASTRUCTURE LEVY CHARGING SCHEDULE (SEPTEMBER 2014)****REPRESENTATION ON BEHALF OF MILLN GATE GOSPORT LLP****Introduction**

1. We act on behalf of Milln Gate Gosport LLP ("Millngate") and have been instructed to submit the following representation in response to the Draft Charging Schedule ("the Schedule") consultation.
2. As you will be aware from our ongoing discussions, Millngate owns land known as Brockhurst Gate in Gosport ("the Site") and is currently formulating a mixed-use regeneration development on the Site. The Site is partly allocated for Economic Development in the emerging Local Plan (see Policy LP9B) and will make an important contribution to job creation and inward investment in the Borough.
3. The submission of this representation by Millngate follows the submission of their November 2013 representation to the Preliminary Draft Charging Schedule and a subsequent meeting with Gosport Borough Council's (GBC) viability advisor, Adams Integra ("AI") in June 2014. The representation focuses on those aspects of the Schedule and the associated evidence base where there has been no change, together with any new and additional evidence that has been introduced by GBC and AI as part of this process.
4. Millngate continues to be acutely aware of the economics of development in the Borough. This includes an understanding of how values and costs have changed in the 12 months since their representation to the Preliminary Draft Schedule. In preparing this representation, Millngate has continued to take advice from Lambert Smith Hampton (leading local retail agents) and Rex Procter & Partners (suitably qualified and experienced quantity surveyors). Millngate has also sought up-to-date views from regional and national house builders. Millngate therefore has important and relevant experience of local market conditions which form appropriate evidence to supplement the Schedule's evidence base.
5. Millngate has welcomed the updated appraisal carried out by AI and GBC. Following a review of the Schedule and the associated and updated Evidence Base, Millngate does however continue to object to the proposed Schedule on the following grounds:
 - The proposed 'Retail Warehouse and Supermarkets' Rate cannot be justified based on the Evidence Base.
 - The proposed 'Residential' Rate cannot be justified based on the Evidence Base. This relates specifically to Charging Zone 3 where the Site is located.
 - The Evidence Base is not reasonably related to actual development across the Borough.

- The Charging Schedule is not sufficiently flexible.
 - Compliance generally with the CIL Regulations.
6. The proposed Retail and Residential Rates are both unrealistically high and not justified based on the available evidence. As proposed, they will have a significant impact on the economic viability of these forms of development and undermine important regeneration schemes such as Brockhurst Gate contrary to the CIL Regulations and NPPF paragraph 173. The approach to setting the Rates is also inconsistent with advice provided in the Community Infrastructure Levy Guidance, February 2014 ("the Guidance").
7. To improve viability and ensure compliance, Millngate believe the proposed Retail and Residential Rates should be reduced. This will also ensure that a more appropriate balance is struck between the need to secure funding for infrastructure and the delivery of development. We expand upon these grounds below.

Evidence Base Justification

Approach

8. The proposed CIL Rate is informed by evidence produced by AI for the Borough Council (entitled "CIL Viability Report" (July 2013)) ("the Report") and the Addendum Report in Response to the Consultation (July 2014) ("the Addendum"). As recommended by the Guidance, the viability appraisal should be fit for purpose and contain relevant evidence. Support from local developers is also encouraged. As a Hampshire based developer, Millngate's evidence and position on the Schedule and Evidence Base should be given weight based on the experience and knowledge they have of the area and the Site.

Valuation Methodology

9. At paragraph 11.2 of the Addendum Report, AI concedes that a residual appraisal model has been developed that is: "*simple to understand and avoids the more detailed and complex residual appraisal software used elsewhere in the industry*". Millngate is concerned about the simplistic approach taken by AI in applying their residual appraisal methodology to the GBC area.
10. It is acknowledged that there is no specific methodology or appraisal software that is recommended or stipulated for use in the Guidance (see Section 2:2:2:4, page 16). An appraisal should however be sufficiently detailed and complex in order to achieve an appropriate level of accuracy in order to determine viability in a given area for a certain land use. This would also reflect the degree of scrutiny applied to development viability by developers and investors. The weaknesses of the overly simplistic approach taken by AI and the impact this has on the viability findings are highlighted by Millngate's observations on the appraisal inputs and assumptions. These comments are outlined overleaf under the two land uses subject of this representation.

Retail Warehouse and Supermarkets

11. The Addendum includes a series of updated Development Appraisals (see Appendix 4) for Retail Warehouses and Supermarkets to justify the proposed Rate. These Appraisals and the explanatory comments made by AI in the Addendum have been reviewed afresh by Millngate. From this review, Millngate continued to consider the Appraisals to be unrealistic based on significant and material inadequacies in the inputs and assumptions. The following explains the main points of difference between Millngate and AI:

- **Site Value:** Millngate continues to be concerned about the very limited evidence of non-residential land transactions in the Borough to reach an adequate judgement for the different use categories. This is reflected in an absence of updated samples in the Addendum Report. In this regard, GBC will be aware that 'appropriate available evidence' is to be used to inform the Schedule. As per paragraphs page 16 of the Guidance, a Charging Authority should draw on available existing data and an appropriate sample of sites across the administrative area. The approach and findings of the Report are clearly at odds with the Guidance. In the absence of existing data, the conclusions reached on Existing Site Value within all appraisals are not justified and thus not sound.

Millngate agrees with AI's conclusions on the demand for discount food retailers. The assumption on threshold site values is however inaccurate in Millngate's view as these retailers generally require a store of between 1,600-1,700 sq.m GIA and not the 2,323 sq.m identified at paragraph 11.4.1 of the Addendum. This figure should be adopted in the Evidence Base appraisal as a more realistic reflection of the market requirement.

- **Rental Levels:** AI does not reveal the source of its research into discount supermarket rents in order to justify the assumption presented at paragraph 11.4.2 and the Appendix 4 Appraisals in the Addendum. In Millngate's experience, the quoted rental level is too high as it fails to consider the area-specific factors that may influence the level of rent that a discount retailer would be expected to agree together with a discount for the rent-free period. Millngate therefore recommends a rate of £151 per sq.m as a more appropriate and locally representative figure for a Supermarket.

Millngate disagrees with AI on the rental level quoted for a standalone Retail Warehouse scheme of £162 per sq.m This is because it fails to reflect the rental level that a retailer would be willing to agree in the current market and adequate allowance also needs to be made for the incentives that a Developer would provide as part of the rental package in order to attract a potential occupier to a town and scheme. This continues to be relevant as the market conditions in the Food Retail and Retail Warehouse sectors remain challenging so incentives are an important part of any agreement to ensure the investment can be secured. The rental level will also be influenced by the type of scheme to come forward. In this regard, there is no prospect of a 'stand alone' or 'solus' unit scheme proceeding as per the example used in the Appraisal. Instead, it is far more likely that a terraced scheme would proceed, whereby a number of retailers would occupy a scheme in order to encourage linked trips to underpin their attraction. Millngate would not disagree

with a rent of £162 per sq.m on a terraced scheme.

- **Building Costs & External Works:** the assumption on building costs and external works remains too low for the type of scheme that is being assessed. This is particularly relevant given building costs have increased significantly since the July 2013 Report which has exceeded the nominal increase allowed for in AI's Addendum. In Millngate's experience, a rate of £1,194 per sq.m (inclusive of external works) for a Retail Warehouse scheme and £1,363 per sq.m (also inclusive of external works) for a Supermarket scheme would be more realistic.
 - **Development Duration:** in Millngate's experience, the duration for retail warehousing is unrealistically low and should be consistent with that for supermarkets. Development finance is secured on both the pre-application, application and construction phases of a development. Due to the complicated and lengthy periods that such forms of development can attract, an allowance of at least 36 months should be allowed for both forms of retailing.
12. Following this review, there remains key areas of difference on the approach to the Appraisals that render the Evidence Base unsound. Consequently the proposed Retail Warehouse & Supermarket Rate cannot be justified.

Residential

13. We note the Addendum provides additional evidence to respond in part to our original representation. The comments and updated Appraisals have been reviewed and there remain a number of assumptions that Millngate disagrees with. This affects the outcome of the Appraisals.
14. The position is summarised below:
- **Sales & Marketing Costs:** we note there has been no adjustment to the quoted sales and marketing rate from the unrealistically low level of 3% (see the Addendum Report, paragraph 4.3.4). Millngate's continue to conclude that this cost should be increased to 6%, which is consistent with the HCA EVA toolkit guidelines.
 - **Professional Fees:** we note the assumption remains unchanged (see the Addendum Report 4.3.8). Millngate continue to conclude that the allowance for professional fees within the appraisals is too low and generalised given the differing scale of scheme that could occur throughout the Borough. As per the previous representation, this should be increased to 12% to make appropriate allowance for the costs of promoting development, particularly for larger strategic projects. An upwards adjustment would also be consistent with the position taken by AI in relation to Retail projects (see the Addendum Report, paragraph 11.4.4).
 - **House Types:** Millngate continue to conclude that the mix quoted in the appraisals is unrealistic. In Millngate's experience this should also include a wider variation of mixes and

scheme types including lower density schemes providing predominantly 3 and 4 bedroom units. This offers a more realistic profile of the type of schemes that will be delivered in the local area to meet market requirements during the Local Plan and CIL periods.

- **Development Profit:** Millngate disagrees with the continued approach taken in relation to affordable housing (see the Addendum Report, paragraph 4.3.9). The level of developer's profit in the appraisals remains too low as a result of differentiating affordable from private market housing and applying a lower profit level to the former. A financial institution will only accept a 20% profit on GDV for any form of development whether it is private or affordable housing. The assumption that Registered Providers (RPs) of Affordable Housing accept a lower profit on GDV remains outdated and should not be justified based on a Viability Study undertaken for another Local Planning Authority in 2011. A lower profit level was accepted and originally set by RPs to assist in preparing bids for HCA Grant Funding. Such Funding has now been removed and in light of the risks associated with development, RPs now generally seek a 20% profit level in order to secure an acceptable level of viability and development funding. Given the level of affordable housing that will be sought in schemes in the Borough, this should be reflected in the appraisals.

15. Millngate welcomes the updated appraisal carried out by AI and GBC in relation to the residential assumptions. Following their review of the Addendum, elements of the Evidence Base cannot be justified. Without adjustment, this renders the proposed Residential Rate unsound.

General Compliance

16. To comply with the CIL Regulations, the consultation stages should also address the following:

- **Discretionary Relief:** the Schedule should provide details of discretionary relief for exceptional circumstances (see CIL Regulation 55).
- **Payment:** the Schedule should provide details of the phasing of CIL payments (see CIL Regulation 69).

17. These areas are not covered fully or referred to in the Draft Schedule. To comply with the CIL Regulations, these need to be incorporated in the next version particularly given the comments we have made in relation to viability and deliverability.

Summary & Conclusion

18. Millngate objects to the Draft Charging Schedule on the following grounds:

- The proposed 'Retail Warehouse and Supermarkets' Rate cannot be justified based on the limitations of the Evidence Base.
- The proposed 'Residential' Rate cannot be justified based on the limitations of the Evidence Base.

- The Charging Schedule fails to offer any guidance on Discretionary Relief for Exceptional Circumstances and Phasing Payments.
19. Millingate wishes to attend the Examination to explain their position further and reserves the right to provide additional evidence as necessary to justify their position. In the meantime, we look forward to receiving acknowledgement of this representation marked for the attention of Mark Harris (mark.harris@bartonwillmore.co.uk).
20. We would be happy to meet Borough Council Officers and Adams Integra again to discuss our comments. Otherwise, we would be grateful if you could continue to keep us notified of the Schedule's progress and arrangements for the Examination.