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13th September 2016

(Sent by email on 13.09.2016 - to: Julia.Dawe@horsham.gov.uk)

Dear Julia

**Reference: HDC's consideration of further potential nil CIL charging rate zoning
– Kilnwood Vale.**

I refer to our recent correspondence and discussions, and particularly to your request for viability related advice on the potential extension of the nil-CIL rating principle that has been consulted on to date in respect of the North of Horsham allocated strategic development. DSP's remit in this respect, consistent with our February 2016 Viability Update Assessment and subsequent discussions, is on considering the potential development viability aspects only.

Following the CIL consultation representations made by Savills on behalf of Crest, I understand the Council's focus for this element of review to be on Kilnwood Vale given the level of outstanding delivery, which is key to the HDPF, still to come through on that development.

Subsequent to our February Update Assessment report, as you know we have been working with HDC on the viability of North of Horsham related to that planning application, considering the applicant's viability positions. We have also worked on strategic site viability with HDC in respect of the Southwater site. We are therefore familiar with local strategic site viability nuances, in addition to our wider work with a range of local authorities.

Drawing on that experience, it has been seen that the previously proposed nil CIL-rating approach for North of Horsham certainly remains an appropriate one in terms of viability and the collective costs of development. This is for the reasons set out in our earlier Assessment. Amongst setting out other information and commentary, that report provides our findings and guidance on that site - at its para.s 3.3.17 to 3.3.21, for example. As a reminder, at the time of our high-level viability work we used a Harman Report based report assumption of site enabling/infrastructure costs at £23,000/dwelling overall. We found that alongside testing with all other estimated development costs, that would be likely to leave scope for circa £21,500/dwelling on the s.106 package.

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Whilst from HDC's current discussions the latter (DSP Assessment indicative outcome on s.106) is panning-out so that it is likely to represent an amount broadly similar to that which will be needed, in fact the site-specific work more recently possible on North of Horsham is showing the enabling/infrastructure costs there to be significantly in excess of the earlier stage assumption. The Council's proposed approach to CIL on that strategic site is certainly endorsed by subsequent experience now, in addition to and still consistent with the Viability Update Assessment recommendation on CIL.

Although from the Council's information provided on 10th August 2016 I have only been able to compile a part-picture on the collective costs likely to continue impacting at Kilnwood Vale (in respect of part of the overall s.106 package only), we now have more to go on in considering the relevant characteristics of that site that are so key to its viability (and therefore continued delivery through varying economic conditions). That further information was received last week – on 7th September from Savills - confidentially on behalf of Crest.

The summary information provided by Savills last week in respect of Kilnwood Vale shows a picture of collective costs which in our view with little doubt would lead to the same sort of viability overview as that we gave for North of Horsham, in terms of considering any scope for CIL to impact in addition to the s.106 package and other very significant costs. Based on the available information, there is likely to be no financial scope to support CIL charging at Kilnwood with the current costs view and obligations in place, should that now be a consideration for HDC (e.g. as a contingency matter helping to further secure delivery) in firming-up the CIL proposals.

The costs indications provided summarise to the effect of s.106 requirements representing approximately £15,000/dwelling at Kilnwood Vale; together with enabling/infrastructure costs at a level also significantly higher than the Harman Report based allowances (in each case before other costs associated with fees and financing, etc).

Viewed in per dwelling terms these updates provide a broadly similar nature of collective costs overview to that emerging for North of Horsham. In our experience certainly this is representative of genuinely strategically scale development that would normally warrant the consideration of nil-charge rating and zoning for the purposes of CIL; thereby avoiding the potential for fixed CIL charging to impact alongside the very high level of site-specific costs.

The S.106 route (as opposed to a switch to relying more on CIL for strategic sites infrastructure support) also offers flexibility on delivery, as we understand has been used already at Kilnwood Vale. Typically it also offers more direct prospects of control around getting in place the essential infrastructure to facilitate and support the new homes and other delivery.

Therefore we can indicate that had we undertaken similar Kilnwood Vale related viability testing based on varied discussions with HDC, or were we to carry out further high-level viability testing similar to that within our February 2016 Assessment, as is appropriate for CIL viability, I consider that we would have reached or would now reach conclusions on Kilnwood equivalent to those we set out for North of Horsham. In addition, I am of the view that further viability work, undertaken using assumptions based on currently available information, would in fact most likely tell us little more than the above given an equivalent appropriate approach to that and the further information review that has now been possible.

I trust this helps inform your further review, and if we can be of further assistance, please let me know.

Yours Sincerely

Richard Dixon BSc(Hons) MRICS CIHM

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