

Exeter Community Infrastructure Levy (CIL) Consultation: Draft Charging Schedule

14 December 2022 – 25 January 2023



Exeter, 25 Jan 2023

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Please find below Exeter Civic Society's reply to the CIL Consultation.

Contact at ECS: Gert Vonhoff, Chair 'Strategic Planning & Highways Group'.

Before going into any specifics, we want to comment about the poor presentation of the consultation without any information from ECC to explain why changes are being made, any summary of why rates are proposed, other than 'its time for a review'. The many questions raised on the Commonplace platform are an indicator that others had similar difficulties. And not everybody had the time or made the effort to read through the many accompanying documents; others may not even have found them.

General Points (added section to consultation document)

Exeter Civic Society finds it important to raise some general points before commenting on the individual CIL rates.

ECS welcomes the CIL Review which responds to changes and new products in the local property market. We agree that it is important to bring this in as temporary measure as soon as possible and not wait for the new Exeter Plan. However, as many of the homes that will be built up to 2026 already have planning approval or are going through the planning process at the moment, ECS wonders how much of an effect this review will have in the near future. We hope that a new CIL and Infrastructure Plan will be developed alongside the new Exeter Plan in 2023. We expect this current review will be basis for a longer standing CIL beyond 2026.

It has to be taken into consideration that the data for the viability assessment is effectively two years old. House prices and rents have moved significantly over that

period, so the rates should in any case be reviewed before implementation. The consultants anyway suggest annual updates.

From the *Background Information* document, the updated Infrastructure Delivery Plan identifies from 2022 to the end of the plan period in 2026 £180m and a funding gap of £93m (para 2.5). Based on the proposed new charging rates and the continued rates, it is 'estimated that for the remaining plan period (to 2026) Exeter City Council could potentially receive £25m CIL revenue' (para 3.6). In our understanding, that still leaves a funding gap of £68m. In order to close this gap, we suggest making more use of identified CIL headroom.

The viability study by 'Three Dragons' argues overwhelmingly in economic terms when setting CIL rates: distinguishing between more established and (higher risk) new products. We, however, see CIL rates equally as a steering tool to develop property types Exeter needs most (as identified in the Draft Exeter Plan and related documents before). And yet the CIL suggestion sees a levy for flatted residential of £0. How can this then support CIL providing and raising essential funds to develop off-site infrastructure for the new sites, especially when high density flatted residential is planned to become the dominant type? ECS does not think a levy of zero rates is appropriate for flatted residential; we would replace it with a minimum charge. How high that should be is something we ask ECC to establish.

ECS suggests the rates for BtR and Flatted Residential as currently laid out to be reviewed and raised to a level sufficient to ensure that the necessary community infrastructure can be provided to meet the new planning policies. These future new homes are expected to be low car ownership, and as a consequence they generate a need to significantly upgrade the walking and cycling infrastructure as well as public transport

The proposed concentration on brownfield city centre high density development in the Draft Exeter Plan which favours flats might mean that Exeter risks recouping a low(er) level of CIL as the result of this review, when there already is a substantial funding gap. ECC should be doing some scenario planning on the proposed rates with this in mind if they have not already done so.

For reasons laid out in the specific section of Co-living in our reply, we suggest to link Co-living to PBSA more closely. We see the low CIL rate suggested in this review for Co-living as problematic, as it incentivises already viable and profitable, but (for the majority of people) unaffordable to rent developments in very much the same areas which have been already 'flooded' the PBSA in recent years. Adding further to highly transient communities in Exeter will not help ECCs efforts to create balanced communities.

The CIL rates as suggested are set in relation to development type and development scale, different from other councils not in relation to geography. The reason for this is most likely the compact nature of the area ECC has to work with. There is one

exception, 'retail outside the city centre'. This makes sense as future growth in retail should not benefit from sites outside the city centre, as long as Exeter has a large number of retail units empty in the city centre. As the Draft Exeter Plan includes district centres into its wider definition of city centre, it would make sense to include these as well. A clear definition then would be needed.

The viability assessment dismisses retirement developments as expensive and anomalous. However, they have been built in Exeter, presumably paying the residential levy and it would be difficult to understand why to rule out future payments from this category when they will make infrastructure demands and when it clearly can be afforded. There is no need to incentivise further development in this sector.

In the light of the longer perspective, ECS thinks it would be time to reflect on carbon impact as an additional aspect for setting rates. We suggest a CIL rate reduction for net zero or negative carbon developments (with evidence). This would support this form of development which is needed to meet ECC's policy of net zero by 2030.

With the unaffordability crisis in Exeter, ECC needs to find ways to substantially increase the proportion of affordable housing in the city. ECS thinks the review of the CIL rates can be used to this effect: we suggest a reduction of the levy if the amount of affordable and social housing substantially exceeds the national guidance (adopted by ECC) of seeking 20% of units at discount market rent; a staggered approach in levy reductions might be appropriate. It also has to be taken into consideration that the 'discount market rent' (80% of market rent) in Exeter due to high market rents still provides a challenge for most buyers or renters.

Which CIL rate (£) do you wish to comment on?

Flatted Residential

Do you agree or disagree with the proposed rate? Please circle one option below

Agree

Disagree

Do you have any comments on the proposed rate?

Disagreed; ECC suggested rate £0 per sqm

ECS: The increase in Flatted Residential (more high-density) is supported, but we see this as a lucrative segment of the market for developers: we suggest a CIL rate in line with BtR. The reasons for it not having been developed in higher numbers in Exeter have to do with the availability of single home residential plots in the past, which won't be available for future planning.

For at least two of the five types of Flatted development (see 5.4, Viability Evidence), there is some, though low CIL headroom; only the higher density developments with 150 and 350 units do not show any CIL headroom. The incentive for developments up to 75 units will benefit the social cohesion both within and in the neighbourhood of the development (occupants will get to know each other more easily). As the Exeter Plan promotes mixed developments, the smaller unit numbers for this sector will be in line with this.

Further reasons for setting the rate higher are:

- 1) A fine line needs to be considered here: on the one hand, the Exeter Plan promotes higher density flat based developments to create low-carbon, low-travel neighbourhoods, where families can be brought back into the city centre; on the other hand, the flats seem to be for the sale market, so lucrative for a developer with the Exeter market prices. Otherwise the differentiation between 'Flatted Residential' and 'BtR' would not make much sense.
- 2) Alternative one can argue that there should be no distinction between Flatted Residential and BtR as
 - a. The accommodation is the same, with the possible exception of extra facilities in BtR such as gyms, although these all feature in developments of flats for sale. The costs of building should therefore

- be similar, possibly more expensive for BtR so why should the CIL be different.
- b. Flats built to be sold can easily be rented out once bought so the Flatted Residential/BtR distinction is not a real one.
 - c. Other local councils charge more for ordinary residential accommodation which includes both Flatted and BtR. Hard to see why Exeter should be different.
- 3) The older peoples flatted accommodation should be included in the calculations – they seem to be popular amongst developers judging by Millbrook and they have paid the CIL at the residential rate so hard to see why they should get a free pass.

Which CIL rate (£) do you wish to comment on?

Built to Rent

Do you agree or disagree with the proposed rate? Please circle one option below

Agree

Disagree

Do you have any comments on the proposed rate?

Disagreed; ECC suggested rate £50 per sqm

ECS: This should be seen in context with 'Flatted Residential', we suggest a slightly higher rate than currently suggested.

For two of the three types of Built to Rent (see 5.6, Viability Evidence), the CIL headroom is substantially higher than £50 per sqm: 150 units £313, 350 units 5 storey £359. Only the 305 units, 10 storey development is below this rate with £53; our suggested slightly higher rate would disincentivise from this model, which will be problematic because of its height for most of the Exeter sites.

Further reasons for setting the rate higher are:

- 1) 'Built to Rent' should be seen in context with 'Flatted Residential' and 'Residential': a rate between both will position it in the middle between both rates.
- 2) This will be flatted property for rent, thus generally a lucrative market segment. This should make it a viable option for Exeter, too. The argument that the Exeter market is immature for this and therefore a cautious approach to be followed, we find misleading.
- 3) These future new homes are expected to be low car ownership, and as a consequence they generate a need to significantly upgrade the walking and cycling infrastructure as well as public transport

Which CIL rate (£) do you wish to comment on?

Purpose-built Student Accommodation

Do you agree or disagree with the proposed rate? Please circle one option below

Agree

Disagree

Do you have any comments on the proposed rate?

Disagreed; ECC suggested rate £150 per sqm

ECS: we welcome the increase and think this could be even substantially higher.

For all three types of PBSA tested (see 5.7., Viability Evidence), the CIL headroom is substantially higher than £150 per sqm: 40 units £669, 100 units £584, 250 units £508. ECC should make more use of this, because:

- 1) PBSA is established in the Exeter market; it has become a very lucrative segment of the market.
- 2) Student accommodation generates community infrastructure needs. As students do not pay Council Tax, this is the main means for development to contribute towards the costs of infrastructure associated with such developments, although we have seen little off-site infrastructure to support any of the recently built large PBSA sites, such as improved cycle routes connecting these blocks to the university sites.
- 3) As the market share of PBSA within the city has increased disproportionately in some areas of the city, ECS would like to see a brake to further increases of this sector – in line with many citizens who see their city emptied out during non-term time. A healthier balance between PBSA and family accommodation within the city centre is more likely to result in a more integrated student population, an aim of the Exeter Plan. The way CIL is going to be spent needs to be linked closer to the areas which saw the substantial increase of student accommodation, with the aim to counter-balance some of the effects this had on the non-transient population. Whilst ECS supports the provision of PBSA on the university campus, is it time to introduce some planning policies to restrict the intensity of PBSA in other parts of the city, in the same way that HMOs are restricted in certain areas? Or consider some control through CIL charging by location?
- 4) We, however, recognise that further efforts need to be made to stop the conversion of houses in HMOs and that with a still growing university this might mean a further increase in PBSA.

- 5) PBSA CIL rates in local cities do not seem to have been revised for some time (Bristol, Plymouth), and therefore cannot provide guidance. Revised rates in Camden (Feb 2020) and Lambeth (Sep 2021) demonstrate that other councils charge increased rates of CIL. See <https://www.planningresource.co.uk/article/1121218/cil-watch-whos-charging-what> , accessed 17 Jan 2023

Which CIL rate (£) do you wish to comment on?

Co-Living

Do you agree or disagree with the proposed rate? Please circle one option below

Agree

Disagree

Do you have any comments on the proposed rate?

Disagreed; ECC suggested rate £50 per sqm

ECS: This should be related to or preferably the same as PBSA, but substantially higher than suggested in this review.

For all three types of Co-living (see 5.8, Viability Evidence), the CIL headroom is substantially higher than £50 per sqm: 40 units £343, 100 units £242, 250 units £140. Setting the rate higher than suggested in this review will disincentivise the larger units Co-living developments, which will benefit the social cohesion within the development (occupants will get to know each other more easily) and it can improve the links to the neighbourhoods (as a smaller structure will be seen as less alien).

Further reasons for setting the rate higher are:

- 1) Though this market segment is relatively new for Exeter, the increase in planned projects is substantial; we therefore would not see this as 'an immature market' for Exeter. It seems that developers see this market as lucrative and worthwhile.
- 2) The viability assessment for the CIL review had very few examples on which to base calculations. The recent applications provide further examples and evidence of the increasing popularity and presumably profitability of this type of development for developers.
- 3) A low rate might result in an over-concentration of a single type of accommodation, which will attract a transient community and thus not result in creating more balanced communities. At current rents Co-living is not much of a stepping stone to owning a property, and could result in a great number of young single professionals not being able to save to buy a home and establish themselves fully in the city.
- 4) ECS expects a certain overlap between Co-living and PBSA, especially should Co-living with its relatively high rent costs not attract enough specific occupants. In future both segments might merge into each other. A CIL rate closer to that of PBSA would help to close a potential loop hole, developers otherwise might use to build student accommodation in disguise.

- 5) A rate slightly lower than that for PBSA reflects the fact that occupants will have to pay Council Tax in Co-living accommodation and therefore support the city infrastructure.
- 6) The last point of the commentary under 5.8 does not read valid, as table 3.1 (p. 12) shows 500 units per net ha for all three models, and equally a 5 storey height for all of them.

Which CIL rate (£) do you wish to comment on?

Residential (excluding otherwise specified types)

Do you agree or disagree with the proposed rate? Please circle one option below

<input type="radio"/> Agree
<input type="radio"/> Disagree

Do you have any comments on the proposed rate?

Disagree, this rate for 2022 was £118.57 per sqm.

ECS would set this rate slightly higher.

The new sites as laid out in the Exeter Plan are mostly in or in close reach to the city centre. This increases infrastructure adaptations within the centre (traffic, schools, leisure etc). The gap in funding though CIL needs to be narrowed.

Traditional homes at low densities are not making the best use of the greenfield land they sit on, and if on the edge of the city, do require highway infrastructure which is expensive. A higher than suggested rate can help to disincentivise these kinds of developments. It might be useful to distinguish between Residential on greenfield / edge of the city sites and on brownfield / inner city sites by setting two rates here.

High density housing of 50 homes per Ha or more may be charged at a lower rate. This could result in more CIL being collected because there will be more built floor area per Hectare.

Other councils seem to have raised or set their rates higher than Exeter currently has:

- Cheltenham at £200;
- East Devon (rev Oct 2020) at £200 for the highest zone, e.g. in Sidmouth, £100 in 'strategic sites' (which shows CIL as a planning tool);
- Teignbridge in 2022 £150 for development in SW Exeter area, less elsewhere;
- Cornwall (2018) at £400 for small scale developments and £200 for large scale developments in their highest charged zones.

Which CIL rate (£) do you wish to comment on?

Retail outside the City Centre

Do you agree or disagree with the proposed rate? Please circle one option below

Agree

Disagree

Do you have any comments on the proposed rate?

Agree; this rate for 2022 was £185.27 per sqm.

ECS finds it important to produce incentives for empty city centre retail venues. To charge retail outside the city centre makes it more costly to establish retail in new out of town developments.

This, however, is not in line with the 20 mins planning for the low traffic aim of the Exeter Plan. ECS therefore wonders whether food premises and pharmacies in new developments outside the city centre (as, for example, in the Water Lane Area) should be given a rebate: lower the rate down to 50% of the out of city centre rate. There might already be a level, below there is no charge.

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Address and postcode	n/a		
Email address	exetercivicsociety@gmail.com		
What is your connection to the area? <i>Please circle relevant options</i>	I live here	I work here	I own a business here
	I commute through	I study here	Other (please state)
If you are responding on behalf of an organisation, please state the organisation	Exeter Civic Society		
What is your age group?	13-15	16-24	25-34
	35-44	45-54	55-64
	65-74	75-84	85 or over
	Prefer not to say		
What is your gender?	Female	Male	Non-binary
	Prefer not to say	Other, please state:	
	White - English	White - Welsh	White – Scottish

What is your ethnic group?	White – Northern Irish	White - British	White – Irish
	White – Gypsy, Roma or Traveller	Any other white background	Mixed – multiple ethnic group - White and Asian
	Mixed – multiple ethnic group – White and Black African	Mixed – multiple ethnic group – White and Black Caribbean	Any other mixed/multiple ethnic group
	Asian/Asian British – Bangladeshi	Asian/Asian British – Chinese	Asian/Asian British – Kashmiri
	Asian/Asian British – Indian	Asian/Asian British – Pakistani	Any other Asian/Asian British background
	Black/Black British – African	Black/Black British – Caribbean	Any other Black/Black British background
	Arab	Any other background	Prefer not to say
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Do you consider yourself to be disabled?	Yes	No	Prefer not to say
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