APPENDIX 7

c p w planning

Anglia Square, Norwich

Phase 2 Chargeable Development

CIL: Exceptional Circumstances Relief
Supporting Statement

October 2023

Contents

1. Introduction

1.1 This Statement supports an application made to Norwich City Council ('NCC' / 'the charging authority') for Exceptional Circumstances Relief ('ECR') from the Community Infrastructure Levy ('CIL'). The claimant has assumed liability for CIL[1] in relation to the Phase 2 chargeable development at Anglia Square and surrounding land in Norwich ('the relevant land').

1.2 This application for ECR is made on behalf of 'the claimant' as follows:

- Sackville UK Property Select II (GP) No. 3 Limited (company registration no. 08604757); and
- Sackville UK Property Select II Nominee (3) Limited (company registration no. 08608210).

1.3 Columbia Threadneedle Investments ('CTI') on behalf of the two Sackville companies – the claimant – has a contractual agreement with Weston Homes Plc ('WH'), for WH to secure planning permission and lead the redevelopment of the Anglia Square site. WH cannot make this ECR claim because, until the contractual agreement between CTI and WH has been extinguished, WH will not have a material interest in the relevant land in the terms of CIL Regulation 57 (3).

1.4 On 18 July 2023, NCC granted hybrid (part full/part outline) planning permission for the phased, comprehensive redevelopment of the Anglia Square site (ref. 22/00434/F). The relevant land forms Phase 2 of the wider planning permission (see the land coloured pink and green and other works identified on the plans enclosed at Appendix A[2]). A Section 106 Agreement in relation to this permission has been entered into.

1.5 Further details of the wider planning permission are set out in section 3 of this Statement.

1.6 NCC has a CIL ECR policy in accordance with Regulations 55 to 57 of the CIL Regulations 2010 (as amended). It has been made clear throughout both the pre-application and application processes that, subject to planning permission being granted, a claim for ECR would be submitted to NCC on the basis of the unacceptable impact of CIL charges on the economic viability of the development.

1.7 This Statement should be read alongside the Anglia Square Phase 2 Financial Viability Assessment ('Phase 2 FVA') prepared by Jonathan Bernstein of Avison Young (dated 23 October 2023) who, for the purposes of CIL Regulation 57 (5), is an independent person appointed by the claimant with the agreement of the charging authority and has appropriate qualifications and experience. Appendix B provides written confirmation from NCC that the appointment of Jonathan Bernstein as 'an independent person' is agreed.

[1] Assumption of Liability Notice issued to NCC on 16 August 2023.
[2] Plans extracted from the 'Anglia Square Phasing Strategy Revision E (September 2023)' approved under application ref. 23/00985/D.

Purpose and format of this Statement

1.8 The main purpose of this Statement is to set out:

i) an explanation of why payment of the chargeable amount would have an unacceptable impact on the economic viability of the chargeable development, in accordance with CIL Regulation 57 (4)(d)(iii); and

ii) a demonstration of wider community and regeneration benefits including the delivery of affordable homes and community facilities and/or the need for the applicant to show that a particular site has to be brought forward imminently in order to achieve wider benefits, as the CIL ECR policy requires.

1.9 The remainder of this Statement is structured as follows:

- **Section 2** outlines the relevant requirements and tests in respect of ECR (as set out in CIL Regulations 55 to 57) and how the claimant considers these to have been met and/or complied with;
- **Section 3** provides a description of the development, including the Phase 2 chargeable development, granted planning permission by NCC;
- **Section 4** sets out relevant background to the Anglia Square site and the planning permission, developer profit requirements, and the exceptional circumstances that justify the granting of ECR; and
- **Section 5** provides a summary and conclusions.

2. CIL Regulations

2.1 The CIL Regulations 2010 (as amended) set out the procedures for the grant of ECR.

2.2 CIL Regulation 55 (1) sets out that a charging authority may grant relief ("relief for exceptional circumstances") from liability to pay CIL in respect of a chargeable development if:

a) it appears to the charging authority that there are exceptional circumstances which justify doing so; and

b) the charging authority considers it expedient to do so.

2.3 CIL Regulation 55 (3) sets out when a charging authority may grant relief for exceptional circumstances. This is addressed below:

Regulation		**Response**
55(3)(a)	The charging authority has made relief for exceptional circumstances available in its area.	On 27 November 2018, in accordance with CIL Regulations 55 to 57, NCC determined to make relief for exceptional circumstances available.
55(3)(b)	A planning obligation under Section 106 of TCPA 1990 has been entered into in respect of the planning permission which permits the chargeable development.	A Section 106 Agreement, dated 18 July 2023, has been entered into.
55(3)(c)(i)	~~The charging authority considers that the cost of complying with the planning obligation is greater than the chargeable amount payable in respect of the chargeable development.~~	An amendment to the Regulations omitted this paragraph.
55(3)(c)(ii)	The charging authority considers that to require payment of the CIL charge by it in respect of the chargeable development would have an unacceptable impact on the economic viability of the chargeable development.	This Statement, alongside the Phase 2 FVA, sets out the unacceptable impact of the payment of CIL on the economic viability of the chargeable development.
55(3)(c)(iii)	~~The charging authority is satisfied that to grant relief would not constitute a state aid which is required to be notified to and approved by the European Commission.~~	An amendment to the Regulations omitted this paragraph.

Exceptional Circumstances: Procedure

2.4 CIL Regulation 57 sets out the procedure through which ECR can be granted:

Regulation		**Response**
57(3)	The person claiming relief ("the claimant") must be an owner of a material interest in the relevant land.	The claimant owns a material interest in the land.
57(4)(a) / 57(4)(c)	A claim for relief must be submitted to the charging authority in writing on a form published by the Secretary of State; and include the particulars specified or referred to in the form.	The relevant form (Form 11: Exceptional Circumstances Relief Claim Form) has been completed and submitted to the charging authority. The necessary supporting particulars have been provided with this ECR application.
57(4)(b)	A claim for relief must be received by the charging authority before commencement of the chargeable development.	The chargeable development has not commenced.
57(4)(d)	A claim for relief must be accompanied by:	
	~~(i) an assessment carried out by an independent person of the cost of complying with the planning obligation mentioned in regulation.~~	An amendment to the Regulations omitted paragraph (i).
	(ii) an assessment carried out by an independent person of the economic viability of the chargeable development.	Refer to the Phase 2 FVA submitted with this application.
	(iii) an explanation of why, in the opinion of the claimant, payment of the chargeable amount would have an unacceptable impact on the economic viability of that development.	Section 4 of this Statement, alongside the Phase 2 FVA, sets out why the payment of CIL would have an unacceptable impact.
	(iv) where there is more than one material interest in the relevant land, an apportionment assessment.	Refer to Form 11 (Annex A) and the covering letter submitted with this application.
	(v) a declaration that the claimant has complied with paragraph (6).	The claimant declares that paragraph (6) has been complied with.
57(6)	The claimant must send a copy of the completed claim form to the owners of the other material interests in the relevant land, and notify those owners that the particulars are available on request and send a copy of those particulars to any owners who ask for them (as amended in the 2014 Regulations).	The claimant declares that paragraph (6) has been complied with.

2.5 Based on the above, the relevant requirements and tests in respect of ECR (as set out in CIL Regulations 55 to 57) have been met and/or complied with.

3. The development

3.1 NCC granted hybrid planning permission (ref. 22/00434/F) on 18 July 2023 for the phased, comprehensive redevelopment of the Anglia Square site.

3.2 The full description of development is included at Appendix C.

3.3 On 11 October 2023, NCC approved the following pursuant to the wider planning permission:

- Section 96A non-material amendment to Condition 2 (Approved Details) to increase the proportion of affordable housing provision within Phases 1 and 2[3];
- Section 96A non-material amendment to the design of Block B within Phase 1 and to the wording of Condition 10 (Reserved Matters)[4];
- discharge of Condition 14 (Phasing Strategy) amending the phasing plan[5]; and
- discharge of pre-commencement Conditions 21 (Construction and Environmental Management Plan), 22 (Demolition Statement) and 24 (Demolition and Construction Traffic Management Plan)[6].

3.4 The permission provides for the demolition of all existing buildings on the site and a mixed-use redevelopment scheme including (summarised):

- up to 1,100 residential dwellings (of which a minimum of 10% are to be affordable)
- up to 8,000 sqm NIA of flexible retail/commercial (i.e. non-residential) floorspace, providing modern accommodation for existing and new businesses
- a community hub (including a community hall)
- new public toilets including a ‘Changing Places’ facility
- up to 450 car parking spaces
- cycle parking spaces
- new pedestrian routes and extensive public realm works

3.5 The development will be delivered in four phases. Phases 1 and 2 have been approved in full detail; phases 3 and 4 in outline.

3.6 The revised phasing plan approved in writing by NCC on 11 October 2023 (application ref. 23/00985/D) establishes the phasing strategy for the development including the CIL phasing.

3.7 For the purposes of this ECR application, the <u>chargeable development</u> is Phase 2 comprising the land coloured pink and green and other works identified on the plans included at Appendix A.

3.8 The CIL Liability Notices (dated 11 October 2023) which the charging authority has served on the two Sackville companies – the claimant – confirm that the claimant will be liable to pay £592,112.01 of CIL to NCC, as CIL collecting authority, on commencement of Phase 2.

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[3] Application ref. 23/01145/NMA.
[4] Application ref. 23/01143/NMA.
[5] Application ref. 23/00985/D.
[6] Application ref. 23/00987/D.

3.9 The Phase 2 chargeable development involves demolition of the southern part of the Anglia Square shopping centre including the buildings fronting Magdalen Street (taking place between Q2 2024 and Q3 2024). Phase 2 also includes enabling works. The new development consists of:

- 89 residential dwellings (of which 36 are to be affordable)
- approx. 3,471 sqm NIA of non-residential floorspace

4. The exceptional circumstances

4.1 Firstly, in this section, we provide some background to the Anglia Square site and the planning permission granted by NCC. We also consider developer profit requirements in the context of large regenerative, development projects such as Anglia Square.

4.2 The section is then focused on the exceptional circumstances that justify the granting of ECR, in particular:

i) an explanation of why payment of the chargeable amount would have an unacceptable impact on the economic viability of the chargeable development, in accordance with CIL Regulation 57 (4)(d)(iii); and

ii) a demonstration of wider community and regeneration benefits including the delivery of affordable homes and community facilities and/or the need for the applicant to show that a particular site has to be brought forward imminently in order to achieve wider benefits, as the CIL ECR policy requires.

Background

4.3 There are exceptionally high costs and risks associated with the demolition and redevelopment of Anglia Square, which includes a dated yet largely occupied shopping centre, and other large buildings and structures that are subject to escalating maintenance costs and are no longer able to be beneficially occupied.

4.4 The Anglia Square Policy Guidance Note ('PGN') adopted by NCC in March 2017 includes reference to viability and acknowledges that delivering development on the site may be compromised by a number of factors, including but not limited to the scale of planning obligations and the payment of CIL.

4.5 Anglia Square is a long-standing regeneration priority site[7] and its redevelopment has been sought by a number of previous owners and supported by NCC for a considerable period of time. To date the lack of economic viability, and the commercial risk involved, has fettered attempts by the private sector to bring the regeneration of the site forward.

4.6 In the case of the 2018 planning application made jointly by WH and CTI, the Secretary of State agreed with the Inspector's conclusion that if planning permission was to be granted there was a reasonable prospect that the scheme would be delivered as a whole. However, the Secretary of State went on to refuse permission on other (heritage) grounds.

4.7 In the light of that Secretary of State decision, WH prepared and submitted a new planning application for a revised scheme – as granted by NCC on 18 July 2023.

4.8 Carter Jonas prepared a Financial Viability Assessment (dated February 2023) in support of the planning application. This demonstrated that the development would not be able to support a policy compliant affordable housing contribution[8].

4.9 It is also to be noted that £15m of Marginal Viability Funding from Homes England's Housing Infrastructure Fund ('HIF') has been allocated to the Anglia Square scheme (subject to

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[7] The site was first identified for comprehensive redevelopment in the City of Norwich Local Plan (adopted 2004) and the current Joint Core Strategy firmly establishes the regeneration of the northern City Centre, including Anglia Square, as a strategic planning policy objective.

[8] The development will provide a minimum level of 10% with a requirement (as per the S106 review mechanism) for further development viability reviews at pre-defined stages, including at the reserved matters stage and fixed reviews at 30%, 60% and 90% of occupancy of the development.

contract)[9]. This HIF funding was accounted for in the Cater Jonas FVA for planning purposes and will be included in the independent viability assessment for ECR purposes.

Developer profit

4.10 The level of profit a developer is expected to achieve on a development is the key metric in determining whether there are exceptional circumstances which justify the grant of ECR, underpinned by costs and values that are evidenced and as up-to-date as reasonably possible.

4.11 The development at Anglia Square will be delivered in four phases – or four separate 'chargeable developments' in the terms of the CIL Regulations 2010 (as amended). The key determinative factor when NCC, as the charging authority, is deciding whether to grant ECR is the economic viability of the relevant phase or chargeable development. However, whilst CIL Regulation 57 does not specifically prescribe that an overarching viability assessment for the scheme as a whole must be submitted with an application for ECR, an overarching assessment would provide important context (as considered further below) and therefore it is reasonable for the charging authority to have regard for separate overarching assessments supporting each application for ECR.

4.12 To that end, for large regenerative, development projects a developer will typically consider the profit over the duration of the scheme rather than on a phase-by-phase basis. This is reflective of the long-term nature of projects such as Anglia Square, where significant upfront costs are required to facilitate regeneration of the area, which in turn will create additional value uplift in the latter phases. There is therefore the expectation that earlier phases will be less profitable and that profit achieved in the latter phases will subsidise the former.

4.13 Essentially, it is fundamental that the developer remains incentivised to perform and fulfil the development cycle in its entirety. Holistic delivery is the only way in which a commercial return can be realised. This is a premise that is accepted by all key stakeholders. This specific scheme will not produce a 'commercial return' in the earlier phases in isolation. This is due to the acquisition price in the region of £13.1m and the externals/infrastructure requirements to activate a development initiative of this scale. In order to deliver schemes of this nature, developers must adopt a long-term view in respect of the deployment of their initial capital on the basis that over the development cycle they will recoup what can be considered as representing a commercial return.

4.14 The scheme needs to deliver a commercial return to incentivise the developer, i.e. the level of profit required by a developer to reward them for the risks taken in terms of costs, sales values and the time taken to deliver the scheme. A developer would typically expect a profit of 20% on GDV for the private residential, 6% on GDV for the affordable residential and 15-20% on cost for the commercial. Such requirements are now less flexible due to the current financial market. The sharp increase in interest rates has resulted in significantly increased costs that may hinder development. As a result, stricter funding requirements are in place which place a greater emphasis on the need for a 'commercial return' to be crystallised. Whereas previously developers may have had a greater risk appetite, the current market climate has reduced that significantly.

4.15 The agreed viability position for planning purposes indicated an overall profit of 16.3% on GDV assuming CIL ECR is granted on each phase; and a 13.7% profit on GDV without CIL ECR. It is important to note that these profits do not account for the costs of funding, which are likely to cause a significant reduction in the figures reported.

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[9] At the time of the grant approval process in March 2019, this was the third highest grant award across 94 projects being funded nationally.

4.16 There is evidently a deficit from the commercial profit required when CIL is included, and this deficit needs to form a priority return in the subsequent phase of development, in order to incentivise performance and delivery over the extensive development cycle.

4.17 The ability of each phase to contribute towards CIL should therefore be considered in the context of the viability of the wider scheme and its ability to deliver a commercial return.

An unacceptable impact on the economic viability of the development

4.18 An independent viability assessment – Phase 2 FVA – accompanies this application for ECR.

4.19 The Phase 2 FVA considers the economic viability of the Phase 2 chargeable development, in isolation and cumulatively with Phase 1. It further presents an overarching viability assessment for the scheme as a whole (comprising four phases). This provides important context and is considered necessary given the scale and multi-phased nature of the development, which will come forward over several years and is expected to achieve long-term growth in residential values through early 'place' repositioning and wider economic enhancements in the northern part of Norwich City Centre.

4.20 The Phase 2 FVA is informed by two sets of up-to-date build costs, as follows:

i) Avison Young's review of the independent cost plan (dated September 2023) undertaken by Exigere on behalf of WH. In the light of that review, the Phase 2 FVA adopts a build costs figure of £262 per sq ft ('the AY build costs') (relative to the Exigere figure of £267 per sq ft).

ii) WH's own build costs of £180 per sq ft and £232 per sq ft respectively for commercial and residential, as achieved on similar sites and reflecting its vertically-integrated developer model ('the WH build costs').

4.21 The assessment demonstrates that CTI would not achieve a commercial return if it were to deliver the scheme based on the AY build costs. Phase 2 and the scheme as a whole would be unviable. The table below, extracted from the Phase 2 FVA, sets out the relevant results of the viability appraisal including CIL and CIL ECR:

Viability appraisal including CIL and CIL ECR – based on AY build costs

	AY Cost Audit – Phase 2		AY Cost Audit – Phase 1-2		AY Cost Audit – All Phases	
	Including CIL	Including CIL ECR	Including CIL	Including CIL ECR	Including CIL	Including CIL ECR
GDV	£33.5m	£33.5m	£100.4m	£100.4m	£321.9m	£321.9m
NDV (less purchasers' costs)	£32.6m	£32.6m	£99.1m	£99.1m	£320.3m	£320.3m
HIF & Additional Income	£4.5m	£4.5m	£15.4m	£15.4m	£15.4m	£15.4m
Net Realisation	£37.1m	£37.1m	£114.6m	£114.6m	£335.7m	£335.7m
Total Costs	£38.6m	£38.2m	£152.0m	£149.8m	£379.1m	£370.8m
Profit	-£1.5m (-4.4% on GDV)	-£1.1m (-3.2% on GDV)	-£37.4m (-37.3% on GDV)	-£35.3m (35.1% on GDV)	-£43.4m (-13.5% on GDV)	-£35.1m (-10.9% on GDV)

Source: Phase 2 FVA

4.22 The above results are indicative of scheme viability if (in a hypothetical scenario) the scheme is brought forward by CTI who would appoint contractors to deliver the demolition and construction stages. This is the development model reflected in the AY build costs; and it is to be noted that CTI would not be able to realise the cost savings and efficiencies achieved by a large scale, vertically-integrated developer such as WH who can deliver at a significantly lower cost level (i.e. the WH build costs).

4.23 CTI has a contractual agreement with WH to redevelop the Anglia Square site. WH has obtained planning permission and is ready to commence development in Q1 2024. It is therefore entirely reasonable for the independent viability assessment to be undertaken on the basis WH will be the developer and not CTI.

4.24 Based on the up-to-date WH build costs, the Phase 2 FVA concludes that the Phase 2 chargeable development (cumulatively with Phase 1[10]) is not viable, including CIL and CIL ECR. This is due to:

- the cost of the land to the scheme (incurred as an upfront cost in Phase 1 and therefore a cost to subsequent phases);
- upfront 'loading' of externals/infrastructure requirements and site preparation costs;
- front-loading the delivery of affordable housing; and
- little or no premium in residential values in the early stages of the scheme (these are primarily generated in Phases 3 and 4 as the scheme becomes established).

4.25 However, the scheme as a whole utilising the WH build costs is assessed to achieve a sufficient return for WH to deliver the scheme at Anglia Square. The table below, extracted from the Phase 2 FVA, sets out the relevant results of the viability appraisal including CIL and CIL ECR (inclusive of HIF funding):

Viability appraisal including CIL and CIL ECR (incl. HIF) – based on WH build costs

	Weston Homes Costs – Phase 2		Weston Homes Costs – Phase 1-2		Weston Homes Costs – All Phases	
	Including CIL	Including CIL ECR	Including CIL	Including CIL ECR	Including CIL	Including CIL ECR
GDV	£33.5m	£33.5m	£100.4m	£100.4m	£321.9m	£321.9m
NDV (less purchasers' costs)	£32.6m	£32.6m	£99.1m	£99.1m	£320.3m	£320.3m
HIF & Additional Income	£4.5m	£4.5m	£15.4m	£15.4m	£15.4m	£15.4m
Net Realisation	£37.1m	£37.1m	£114.6m	£114.6m	£335.7m	£335.7m
Total Costs	£29.7m	£29.3m	£124.2m	£122.0m	£312.0m	£303.8m
Profit	£7.4m (22.2% on GDV)	£7.8m (23.4% on GDV)	-£9.6m (-9.6% on GDV)	-£7.5m (-7.4% on GDV)	£23.7m (7.4% on GDV)	£32.0m (9.9% on GDV)

Source: Phase 2 FVA

4.26 The table below shows the relevant results of the viability appraisal including CIL and CIL ECR (exclusive of HIF funding). As the Phase 1 FVA explains at paragraph 7.6:

[10] This is the most appropriate basis on which to consider the viability of the Phase 2 chargeable development. The assessment of Phase 2 in isolation is hypothetical because it ignores the significant costs to the scheme up to that point.

...the presence of the HIF funding within the development appraisal presents an inaccurate reflection of the profit margin. We have therefore calculated the implications upon GDV and profit should the HIF funding be removed from the calculation. All stakeholders recognise that it is not appropriate for a margin to be calculated against public grant subsidies.

Viability appraisal including CIL and CIL ECR (excl. HIF) – based on WH build costs

	Weston Homes Costs – Phase 2		Weston Homes Costs – Phase 1-2		Weston Homes Costs – All Phases	
	Including CIL	Including CIL ECR	Including CIL	Including CIL ECR	Including CIL	Including CIL ECR
GDV	£33.5m	£33.5m	£100.4m	£100.4m	£321.9m	£321.9m
NDV (less purchasers' costs)	£32.6m	£32.6m	£99.1m	£99.1m	£320.3m	£320.3m
HIF & Additional Income	-	-	-	-	-	-
Net Realisation	£32.6m	£32.6m	£99.6m	£99.6m	£320.7m	£320.7m
Total Costs	£29.7m	£29.3m	£124.2m	£122.0m	£312.0m	£303.8m
Profit	£2.9m (8.8% on GDV)	£3.3m (10.0% on GDV)	-£24.6m (-24.5% on GDV)	-£22.5m (-22.4% on GDV)	£8.7m (2.7% on GDV)	£17.0m (5.3% on GDV)

Source: Phase 2 FVA

4.27 The £15m of HIF funding from Homes England has been allocated to the scheme and will act as a cost subsidy (not as income). HIF will therefore be used to bridge the viability gap, and CIL ECR would help to bridge this gap further to facilitate scheme delivery.

4.28 To that end, the scheme as a whole (inclusive of HIF funding) is assessed to have a profit level equating to:

- Including CIL – 7.4% profit on GDV
- Including CIL ECR – 9.9% profit on GDV

4.29 It is the scheme as a whole – including CIL ECR and a 9.9 % profit on GDV – that has the ability to achieve a level of commercial return which is sufficient for WH, taking a long-term view, to be incentivised to perform and fulfil the development cycle in its entirety.

4.30 Multi-phased regeneration schemes which anticipate 'real growth' in values over time and the repositioning of a significant segment of a major city (i.e. schemes like Anglia Square) can proceed at profit levels below those a developer would typically expect, but only at the discretion of developers with long-term horizons and subject to the nature of the site and the development proposed.

4.31 With CIL ECR, and a profit margin of 9.9% on the scheme as a whole, there is a reasonable chance for a developer (with long-term horizons such as WH) to achieve long-term growth in residential values – primarily benefitting Phases 3 and 4 as the scheme becomes more established – which will enable a viable scheme.

4.32 Although the Phase 2 chargeable development (cumulatively with Phase 1) is not viable in isolation, even including CIL ECR, relief is required in order to optimise viability and deliver a level of commercial return that can incentivise WH as the developer to commence development with some confidence that a higher profit margin (from the current 'marginally viable' profit margin of 9.9%) is achievable on the scheme as a whole through a premium in residential values. Without CIL ECR, the profit level is 7.4%, which materially increases the risk to the developer – thus making the commencement of the scheme much less likely.

4.33 It is the early stages of the scheme including Phase 2 which will deliver the infrastructure/enabling works and early 'place' repositioning that is intrinsic to the delivery of Phases 3 and 4 and therefore the scheme as a whole; and it is on this basis there are exceptional circumstances which justify the grant of ECR for Phase 2.

4.34 The Phase 2 FVA includes sensitivity analysis, utilising the WH build costs and including HIF, to consider the impact on the viability of the scheme of:

a) the purchase price agreed between CTI and WH at circa £13.1m compared with the Benchmark Land Value ('BLV') of circa £11.7m; and

b) reduced affordable housing values (at -10% and -20% respectively) representative of a decrease in the affordable housing offer from a Registered Provider.

4.35 The relevant viability results, for the scheme as a whole, are set out in the tables below.

Sensitivity analysis: purchase price – with CIL ECR (incl. HIF and WH build costs)

Phases 1-4	Whole Scheme - Including CIL ECR		
	AY BLV	Purchase Price	Difference
Net Realisation	£335.7m	£335.7m	£0m
Total Costs	£303.8m	£305.3m	£1.5m
Profit	£32.0m (9.9% on GDV)	£30.4m (9.5% on GDV)	-£1.6m (-0.4% on GDV)

Source: Phase 2 FVA

4.36 The table above shows that applying the purchase price instead of the BLV to the development appraisal has a limited impact on the viability of the scheme and the level of commercial return for the developer.

Sensitivity analysis: affordable housing values – with CIL ECR (incl. HIF and WH build costs)

Whole Scheme (Phases 1-4) - Including CIL ECR	
Affordable Housing values	Profit
0%	£32.0m (9.9% on GDV)
-10%	£30.7m (9.6% on GDV)
-20%	£29.5m (9.2% on GDV)

Source: Phase 2 FVA

4.37 The table above shows that either a 10% or 20% decrease in the affordable housing offer from a Registered Provider would have a limited impact on the viability of the scheme and the level of commercial return for the developer, although under this scenario (with a lower offer having a detrimental impact on the scheme) the grant of ECR for Phase 2 would be even more critical.

Wider community and regeneration benefits

4.38 The case for bringing forward the site imminently, in order to achieve wider benefits as considered below, is underpinned by the site's continued physical and economic decline and its negative impact on the image of the City. This was broadly accepted by the Secretary of State in his decision on the 2018 planning application, commenting that the site is “a barrier to investment” and “not fulfilling its potential to contribute to the local economy”.

4.39 A compelling case for regeneration is made within the NCC Economic Development Manager’s consultation response to the planning application:

28) …although economic activity exists at Anglia Square at present, it is limited and the site does not come anywhere close to fulfilling its potential to contribute to the socio-economic life of the City;

29) It should be noted that the site in its present form certainly detracts from the image of the city. Anglia Square is highly visible to visitors to Norwich because of its position on the inner ring road and we are often asked what it is or what it was when hosting visits to the city;

31) Very few people outside the world of property development can understand why Anglia Square has not been redeveloped long ago. Investors remark about the viability challenge of demolition and rebuild on such a scale, everyone talks about what it could do for the wider area if someone invested in its redevelopment. When trying to promote the city as a business destination or an investment/development destination it is hard to justify why this site remains undeveloped; it sends out a signal that Norwich has its challenges. Surely a site so close to the rail station, city centre and airport must be an attractive place to live and work? Walking in and around the site (as opposed to driving past it) reinforces the sense of abandonment and decay. Many people ask me why no one can make this site work after so long and therefore what is wrong with Norwich? There is no doubt that the site sends the wrong message about Norwich, its residents and its workforce;

32) Anglia Square has also become synonymous with failure, exemplified by mocking references by comedians such as the Nimmo Twins and Alan Partridge (Steve Coogan);

33) To summarise, Anglia Square in its present state does not fulfil the potential of the site, and, indeed, has a negative impact on surrounding areas. It is extremely challenging to the viability of almost any business to be in an area with such low footfall and poor image. The site in its current state has a negative impact across a much wider area and the spending power of additional residents and shoppers will bring renewed vibrancy to the local area.

4.40 Further justification for the need to bring forward the site imminently, in order to achieve wider benefits, is the £15m of HIF funding from Homes England.

4.41 This funding is time-limited. As described in the planning committee report (paragraph 787, 5th bullet) NCC previously entered into a contract with Homes England for this funding, and upon the grant of planning permission, *would immediately enter into discussions with Homes England to expedite an early review of the contract and seek amends to both milestones and deadlines, update the contract in light of the changes to the scheme and request an extension of time to the HIF funding Availability Period ([from March 2024] to March 2025).*

4.42 It is the claimant’s understanding that the HIF funding Availability Period has been formally extended to June 2025.

4.43 Further delays to development delivery would put at risk this government grant and, in turn, the comprehensive redevelopment of a long-standing regeneration priority site.

4.44 The Anglia Square development, in itself, will deliver an exceptional scheme for the northern part of Norwich City Centre, which is one of the 10% most deprived neighbourhoods in the country. The site attracts anti-social behaviour and heightened levels of crime.

4.45 The development will remove a significant barrier to investment and in doing so, help to reverse the process of decline and increase confidence in this part of the City.

4.46 The wider community and regeneration benefits associated with the Anglia Square development are considerable. These include yet are not limited to:

- up to 1,100 new residential dwellings (including affordable housing as considered below), which will make a very substantial contribution to housing supply in the City;
- modern premises suitable for a mix of town centre uses, including existing on-site businesses, which will help to ensure the long-term vitality of the Large District Centre;
- the vitality of the Large District Centre will be further supported by the new on-site residential population and resulting expenditure available to support local shops and services;
- the provision of modern community facilities in the form of a community hub (including a community hall) and new public toilets (including a 'Changing Places' facility);
- high-quality public realm and improved levels of connectivity to the wider Large District Centre and surrounding communities;
- considerable heritage and 'place' benefits, including through the removal of prominent and unsightly vacant buildings, which are recognised as a barrier to investment;
- the commencement of development alone will be a major signal of confidence in the City and act as a catalyst for inward investment;
- the development, once completed, will support 288 full time equivalent (FTE) jobs representing an uplift of 57% on current employment levels on site.

4.47 As set out above, the development will deliver up to 1,100 residential dwellings (of which a minimum of 10% are to be affordable[11]), while the chargeable development includes 89 residential dwellings (of which 36 are to be affordable). The scheme's affordable housing provision will therefore be front-loaded within the first two development phases.

4.48 The tenure split for the affordable housing will be 85% social rented and 15% intermediate housing. The high proportion of social rented affordable housing reflects the greatest need and will make a significant contribution to addressing this specific need in this part of the City.

4.49 Based on the foregoing, there are clear and strong reasons why the Anglia Square site must be brought forward imminently. Only then can the wider community and regeneration benefits, including the delivery of much-needed affordable homes and community facilities, be realised.

[11] The development will be subject to an upwards-only S106 review mechanism for additional affordance housing provision.

5. Summary and conclusions

5.1 The planning application demonstrated that there is a compelling and long-standing need for the regeneration of Anglia Square, which is in a spiral of physical and economic decline and has a negative impact on this under-performing part of the City.

5.2 The site has been recognised by the Secretary of State as “a barrier to investment” and “not fulfilling its potential to contribute to the local economy” and has been allocated £15m of HIF funding from Homes England’s Marginal Viability Fund to unlock development and achieve the delivery of up to 1,100 residential dwellings. Alongside a broader mix of uses and a new public realm, the development will support the vitality of the Large District Centre and ensure wider community and regeneration benefits.

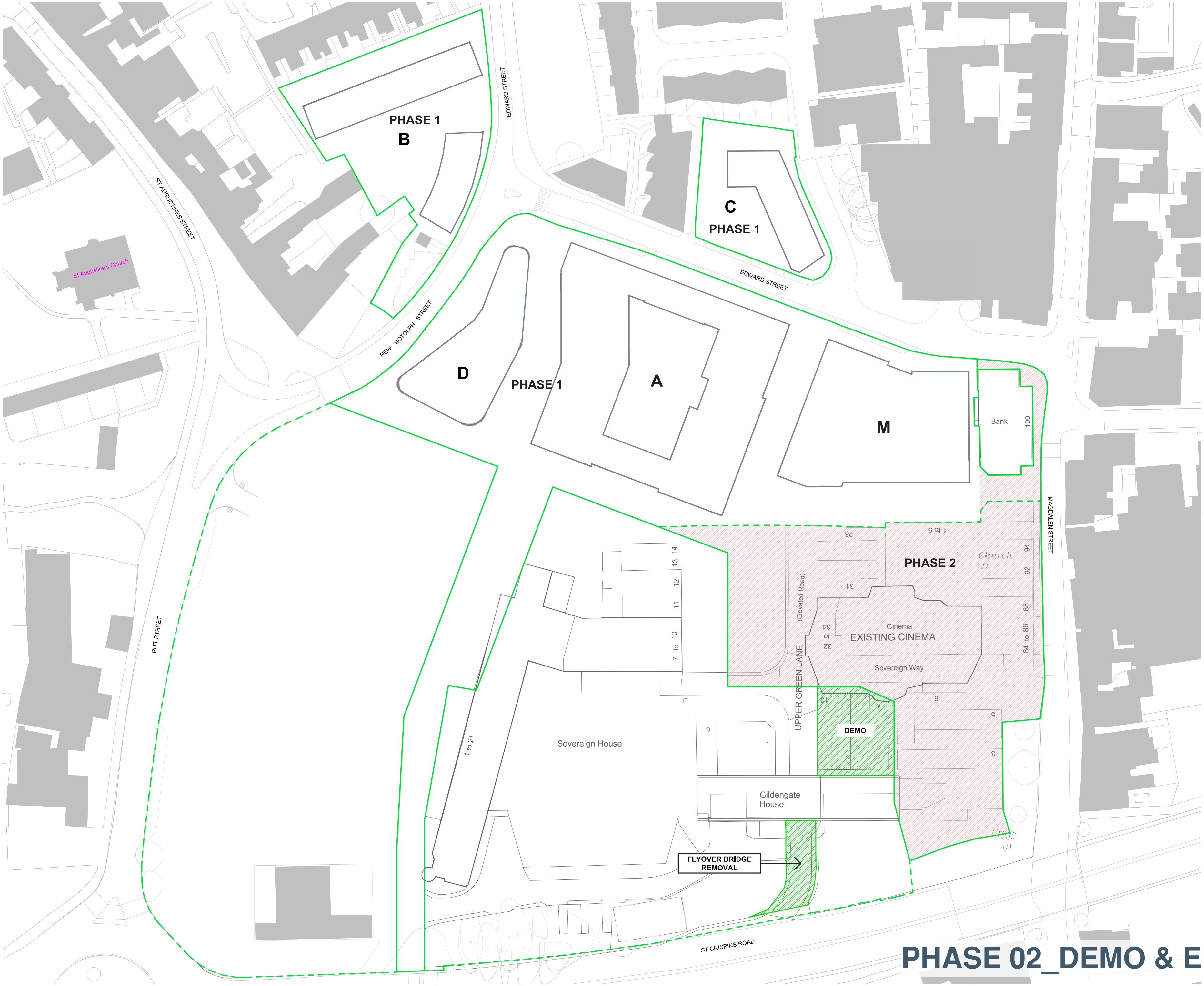
5.3 The scheme would be undeliverable if (in a hypothetical scenario) CTI were the developer. The scheme would be loss-making on the basis CTI would not be able to realise the cost savings and efficiencies achieved by a large scale, vertically-integrated developer such as WH who can deliver at a significantly lower cost level. However, CTI has a contractual agreement with WH to redevelop Anglia Square; and WH has obtained planning permission and is ready to commence development in Q1 2024. The independent viability assessment informing this application for ECR therefore includes development appraisals on the basis WH will be the developer – utilising the WH build costs. This is entirely logical and justified in the circumstances.

5.4 Based on the WH build costs, the Phase 2 chargeable development (cumulatively with Phase 1) is not viable – even including CIL ECR – due to the significant upfront costs. Notwithstanding, ECR is required in order to optimise viability and demonstrate a commercial return (on the scheme as a whole) of circa 9.9% profit on GDV which is sufficient to incentivise WH as the developer to commence development with some confidence that a higher profit margin is achievable on the scheme as a whole, primarily through a premium in residential values in Phases 3 and 4 as the scheme becomes more established. Without CIL ECR, the profit level is 7.4%, which materially increases the risk to the developer – thus making the commencement of the scheme much less likely.

5.5 The scheme is not capable of viably supporting the payment of CIL; and relief on the Phase 2 chargeable development is therefore required in order for the development to progress and benefit from the £15m of time-limited HIF funding.

5.6 It is considered that the relevant requirements and tests in respect of ECR (as set out in CIL Regulations 55 to 57) are met and/or complied with, and based on the information set out in this Statement and the accompanying Phase 2 FVA, it is considered expedient to grant ECR for the chargeable development at Anglia Square on the basis there are exceptional circumstances that justify the granting of such relief in the terms of CIL Regulation 57 (4)(d)(iii) and the NCC ECR policy.

Appendix A



PHASE 02_DEMO & ENABLING

PHASE 02_CONSTRUCTION

Appendix B

chris.watts@cpwplanning.co.uk

From:	Ashurst, Sarah <SarahAshurst@norwich.gov.uk>
Sent:	17 August 2023 11:57
To:	chris.watts@cpwplanning.co.uk
Cc:	'Rigg, James'; 'Boffey, Millie'; Armitage, Tracy; Parkin, David; Turnbull, Andrew
Subject:	RE: Anglia Square - CIL ECR claim
Flag Status:	Flagged

Dear Chris,

Many thanks for your email.

I can confirm on behalf of Norwich City Council that we agree to the appointment of Jonathan Bernstein of Avison Young as an independent person in the terms of CIL Regulation 57 to carry out the assessment.

Kind regards
Sarah

Sarah Ashurst MRTPI
Head of Planning and Regulatory Services
Development and City Services
Norwich City Council

01603 987856 / 07557 588290
My working days are Monday to Friday 8:30 to 5:30
Using Microsoft Teams? Click here to contact me on Microsoft Teams

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From: chris.watts@cpwplanning.co.uk <chris.watts@cpwplanning.co.uk>
Sent: Thursday, August 17, 2023 10:31 AM
To: Ashurst, Sarah <SarahAshurst@norwich.gov.uk>
Cc: 'Rigg, James' <James.Rigg@columbiathreadneedle.com>; 'Boffey, Millie' <Millie.Boffey@columbiathreadneedle.com>; Armitage, Tracy <tracyarmitage@norwich.gov.uk>
Subject: Anglia Square - CIL ECR claim

Dear Sarah

CIL Regulation 57 (4)(d)(ii) makes it clear that a claim for relief must be accompanied by an assessment carried out by an independent person of the economic viability of the chargeable development.

CIL Regulation 57 (5) adds that, for the purposes of paragraph (4)(d)(ii), an independent person is a person who:

(a) is appointed by the claimant with the agreement of the charging authority; and

(b) has appropriate qualifications and experience.

The claimant is seeking assurance from Norwich City Council that appointing Jonathan Bernstein of Avison Young as the ‘independent person’ is agreed in the context of CIL Regulation 57.

Jonathan is a Director, specialising in Land and Development issues at Avison Young. He has previously advised the Council in relation to the viability of redeveloping Anglia Square; this has included an independent review of the viability assessment submitted in support of the planning application as approved by the Council on 18 July 2023.

Jonathan has not previously worked for the claimant and has the appropriate qualifications and experience to assess the economic viability of the chargeable development for the purposes of the CIL ECR claim.

Please can you confirm, by reply, that the Council would agree to the claimant’s appointment of Jonathan as an independent person in the terms of CIL Regulation 57.

Regards

Chris

Chris Watts
Director

chris.watts@cpwplanning.co.uk
07743 428 908

c p w planning

Appendix C

Full description of development

Hybrid (part full/part outline) application on site of 4.65ha for demolition and clearance of all buildings and structures and the phased, comprehensive redevelopment of the site with 14 buildings ranging in height from 1 to 8 storeys, for a maximum of 1,100 residential dwellings, (houses, duplexes and flats) (Use Class C3); a maximum of 8,000 sqm flexible retail, commercial and other non-residential floorspace (retail, business, services, food and drink premises, offices, workshops, non-residential institutions, community hub, local community uses, and other floorspace (Use Classes E/F1/F2/Sui Generis (public conveniences, drinking establishments with expanded food provision, bookmakers and/or nail bars (up to 550sqm), and dry cleaner (up to 150sqm))); service yard, cycle and refuse stores, plant rooms, car parking and other ancillary space; with associated new and amended means of access on Edward Street and Pitt Street, closure of existing means of access on Edward Street, New Botolph Street, Pitt Street and St Crispins Road flyover, formation of cycle path between Edward Street and St Crispins Road, formation of wider footways, laybys and other associated highway works on all boundaries, formation of car club parking area off New Botolph Street, up to 450 car parking spaces (at least 95% spaces for class C3 use, and up to 5% for class E/F1/F2/Sui Generis uses), hard and soft landscaping of public open spaces comprising streets and squares/courtyards for pedestrians and cyclists, other landscape works within existing streets surrounding the site, service infrastructure and other associated work; (All floor areas given as maximum Net Internal Area)

Comprising

Full planning permission on 2.25ha of the site for demolition and clearance of all buildings and structures, erection of 8 buildings ranging in height from 1 to 7 storeys for 353 residential dwellings (Use Class C3) (142 dwellings in Block A, 25 dwellings in Block B, 21 dwellings in Block C, 28 dwellings in Block D, 8 dwellings in Block J3, 81 dwellings in Block K/L, and 48 dwellings in Block M) with associated cycle and refuse stores), and, for 5,906sqm flexible retail, commercial and other non-residential floorspace (retail, business, services, food and drink premises, offices, workshops, non-residential institutions, community hub, local community uses, and other floorspace (Use Classes E/F1/F2/Sui Generis (public conveniences, drinking establishments with expanded food provision, bookmakers and/or nail bars (up to 550sqm), and dry cleaner (up to 150sqm))), service yard, cycle and refuse stores, plant rooms, car parking and other ancillary space, with associated new and amended means of access on Edward Street, closure of existing means of access on Edward Street and New Botolph Street, formation of cycle path from Edward Street to St Crispins Road, formation of wider footways, laybys and other associated highway works on Edward Street, New Botolph Street, and Magdalen Street, formation of car club parking area off New Botolph Street, 134 car parking spaces (at least 95% spaces for class C3 use, and up to 5% for class E/F1/F2/Sui Generis uses) within Blocks A and B, hard and soft landscape works to public open spaces comprising streets and squares for pedestrians and cyclists, other landscape works, service infrastructure and other associated works; (All floor areas given as maximum Net Internal Areas)

And [continued overleaf]

Outline planning permission on 2.4ha of the site, with landscaping and appearance as reserved matters, for demolition and clearance of all buildings and structures, erection of 6 buildings (Blocks E – H and J) ranging in height from 2 to 8 stories for up to 747 residential dwellings, (houses, duplexes, and flats) (Use Class C3), a maximum of 2,094 sqm flexible retail, commercial and other non-residential floorspace (retail, business, services, food and drink premises, offices, non-residential institutions, local community uses and other floorspace (Use Classes E/F1/F2/Sui Generis (drinking establishments with expanded food provision, bookmakers and/or nail bars (up to 550sqm), and dry cleaner (up to 150sqm))); cycle and refuse stores, plant rooms, car parking and other ancillary space; with associated new and altered means of access on Pitt Street and St Crispins Road, closure of means of access on Pitt Street and St Crispins Road flyover, formation of wider footways, laybys and other associated highway works on Pitt Street and St Crispins Road, a maximum of 316 car parking spaces (at least 95% spaces for class C3 use, and up to 5% for class E/F1/F2/Sui Generis uses), service infrastructure and other associated works (landscaping and appearance are reserved matters); (All floor areas given as maximum Net Internal Areas).