ADAMS INTEGRA

Cannock Chase Council

Community Infrastructure Levy Non-Residential Viability Report

FINAL REPORT

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Executive Summary

1. The Cannock Chase Community Infrastructure Levy (CIL) Viability Study seeks to identify viable CIL levels for all likely forms of non-residential development in the district, taking into account known development costs, including those arising from the Council's planning policies and its community development objectives.

2. In the context of this study 'viable' refers to a level of CIL which is not so high as to discourage development from occurring i.e. set so that development remains viable.

3. The testing of different forms of residential development is covered in a separate study.

4. The viability of non-residential development has been undertaken by testing the development costs and values of a range of non-residential projects using appropriate and available local values.

5. This report has been prepared at a time of extended economic downturn, which has had a serious impact on development viability for all forms of development. As a result there is very little building activity occurring at present.

6. To understand the purpose of the CIL viability study, it is important to understand the distinction between site-specific infrastructure needs and wider, more general infrastructure needs. Under the new legislative regime brought about by the introduction of the Community Infrastructure Regulations 2010 (amended 2011 and 2012 and April 2013), the ability to require developer contributions under Section 106 of the Planning Act 1990 for project-specific infrastructure works remains. This covers matters, for example, adjacent road widening or off-site drainage works. The CIL Regulations relate to contributions for general infrastructure provision which benefit the wider community, and they transfer funding contribution collection powers for this type of infrastructure from s.106 to the CIL Regulations.

7. The CIL Regulations also introduce the requirement to assess what level of contribution is viable before setting a contribution rate, and require the Council to adhere to this rate, whereas this was not required under s.106.

8. Non-residential development displays problems. Most forms of development are unviable at present even without any level of infrastructure contribution being sought through any mechanism. On the other hand, some forms of retail development have been shown to be able to support developer contributions.

9. Given the uncertainty of ongoing economic conditions, it will quite likely be necessary to review the CIL situation as the economy improves, to test whether current recommended CIL rates remain viable, or whether there is scope for increased rates. It is feasible that it may be necessary to reduce CIL rates, if the economy were to contract.

10. In summary, the findings of the study are:

1. There is limited or no viability for most forms of non-residential development to afford a CIL charge. At present the only forms of development that are considered to be able to withstand a CIL charge are supermarkets and retail warehouses.

2. The recommended non-residential CIL rates are comparable with the proposed and adopted CIL rates in neighbouring boroughs.

3. CIL is recommended to be charged at the following rates (per square metre of net additional floor space):

   - £60 for supermarkets and retail warehouses.
   - All other uses - nil.

PART A – CONTEXTS

A1. Aims of the Study

A1.1 Adams Integra has been asked by Cannock Chase Council to prepare a viability report to support their proposed implementation of a Community Infrastructure Levy (CIL). There are two elements to this study. Firstly we have reported under separate cover on the viability for a CIL charge on residential development. This second report covers other non-residential types of development.

A1.2 The aims of the study is to report on:

1. A viable CIL rate or rates for each form of specified land use;

2. An assessment of the impact of the viable levy rate for each form of land use;

3. An assessment of the maximum level at which CIL could be set without putting at serious risk overall development within the district, or the development strategy of the draft Local Plan;

4. A view on whether there is justification in terms of development viability for different CIL charges in different parts of the district.

A1.3 The Council is preparing to introduce a Community Infrastructure Levy. The Government advises that charging authorities will need to strike a balance between the desirability of funding infrastructure from the levy and the potential effects of the imposition of the levy upon the economic viability of development across the area (CLG, November 2010). Cannock Chase Council, as a charging authority, must prepare evidence about the effect of the levy on economic viability in the district in order to demonstrate to an independent examiner that the proposed levy rates strike an appropriate balance.

A1.4 The assessment has been carried out against a range of notional non-residential sites.

A1.5 We have looked at a range of uses categorised under their planning use classes, as set out in the Town and Country Planning Act (Use Classes Order) 2010. These cover:

- Offices - Class B1a
- Industry/warehousing - Classes B1b, B1c, B2 & B8
- Retail - Class A1
- Hotels - Class C1
- Residential Care/Nursing homes - Class C2
- Leisure Facilities - Class D2
- Community Facilities - Class D1

A1.6 Part D contains the recommendations, and Part E contains the appendices, being the appraisal worksheets for archetypes of non-residential development.

A2. Policy and Statutory Contexts for the Study

We highlight below the main policy documents that have a bearing upon the outcomes of this study.

A2.1 The National Planning Policy Framework

The National Planning Policy Framework of March 2012 (NPPF) establishes the need for viability to be taken into account as part of policy making. In paragraph 158 it states that local planning should be based upon adequate, up-to-date and relevant evidence, taking full account of relevant market and economic signals. Paragraph 173 looks for careful attention to be paid to viability to ensure deliverability. To ensure viability, there must be competitive returns to a willing landowner and developer. In paragraph 174 it is stated that the cumulative impact of local standards should not put the implementation of the plan at serious risk. In paragraph 175 the Framework states that Community Infrastructure Levy should support and incentivise new development.

A2.2 CIL Viability Guidance

In addition to the Council's policies, we also need to bear in mind the guidance that has been produced in connection with viability testing.

A2.2.1 In producing this report, we have had regard to the guidance that has been produced by the **Department of Communities and Local Government** and the **Royal Institution of Chartered Surveyors** in addition to the **National Planning Policy Framework**.

A2.2.2 Regulations concerning the implementation of Community Infrastructure Levy (CIL) are contained in the Regulations that came into force in 2010 and updated in 2011, 2012 and 2013. The report also has regard to the most recent set of draft amendments to the CIL Regulations (April 2013). For the purpose of Cannock Chase Council's proposed CIL, it is the DCLG's December 2012 CIL Guidance that applies. Therefore we set out below the main provisions of this guidance that is particularly relevant to this study.

A2.2.3 Paragraph 7 states that the Council, as charging authority, should strike a balance between the desirability of funding infrastructure from the levy and "the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area."

A2.2.4 Paragraph 21: "Charging authorities should be able to show and explain how their proposed CIL rate (or rates) will contribute towards the implementation of their relevant plan and support development across their area."

A2.2.5 In paragraph 25, it is recognised that available data to support the evidence base is unlikely to be fully comprehensive or exhaustive. A charging schedule should, however, be supported by "appropriate available evidence."

A2.2.6 Paragraph 30 states that the authority should avoid setting a charge to the limit of viability of the majority of sites in the area. Furthermore the authority should show that their proposed charging rates will contribute positively towards and not threaten delivery of the relevant Plan as a whole at the time of charge setting and throughout the economic cycle.

A2.2.7 Paragraphs 84 to 91 deal specifically with the interaction between CIL and s.106 agreements. Amongst these provisions is the requirement, in paragraph 85, that the Council should work proactively with developers, to ensure that they are clear about the Council's objectives for infrastructure provision, avoiding the situation where developers could pay twice for the same infrastructure item. Furthermore, once a charging schedule is introduced, the s.106 requirements should be scaled back to site specific requirements only. The Council should set out how the s.106 policies will be varied, once CIL comes into force.

A2.2.8 Account needs to be taken of current market conditions, while also allowing for potential abnormal costs that might arise in connection with specific sites. With regard to the market, if it can be reasonably anticipated that values will rise, then it might be appropriate for the Council to consider a charge closer to the margin of viability. On the other hand, if a rate is being set at the top of the market, then we would expect a larger "buffer" to be built in, to minimise any potential lack of viability, should the market fall.

A2.2.9 The Royal Institution of Chartered Surveyors has produced a guidance document 'Financial Viability in Planning' [1st Edition] that provides a framework of principles and methodology. The guidance defines financial viability for planning purposes as follows:

> "An objective financial viability test of a development project to meet its costs, including the cost of planning obligations, while ensuring an appropriate site value for the landowner and a market risk adjusted return to the developer in delivering that project."

A2.2.10 Further guidance comes from the Local Housing Delivery Group, whose report "Viability Testing Local Plans" was published in June 2012. Whilst not covering non-residential forms of development the guidance is still relevant and we have noted the key principles that are set out in that report and which are relevant to a study such as this, namely:

- We should consider the cumulative impact of plan policies.
- Viability studies, such as this, cannot guarantee that every development in the plan period will be viable. However, plan policies should produce viability for the sites, on which the plan is relying.
- A demonstration of viability across time and local geography will be of value to local decision making.

- The report is not suggesting that the outcome of a viability assessment should dictate individual policy decisions. The role of the assessment is to inform decisions made by elected members.

- Viability testing does not require a detailed viability appraisal of every site anticipated to come forward over the plan period. Instead, a range of appropriate site typologies should be created and tested, reflecting the mix of sites, upon which the plan relies.

We believe that our methodology complies with the thrust of published guidance.

A2.3 Council Policy and Planning

The study is specific to the district of Cannock Chase Council.

A2.3.1 It is a largely rural district with Cannock identified as the strategic sub-regional centre, being the largest conurbation to the south where the M6 Toll runs across the district. The A460 links northwards from Cannock with the smaller towns of Hednesford and Rugeley at the north of the district. The Cannock Chase Area of Outstanding Natural Beauty covers as large section across the middle of the district with about 60% of the district being designated as Green Belt.

A2.3.2 The Council has prepared a **new Draft Local Plan** to replace the 1997 Local Plan. The Submission (2013) Local Plan is due for examination starting in September 2013. This new Local Plan is based on the draft Core Strategy, updated where appropriate. It will provide the strategic policy framework for a CIL charging schedule, by identifying the nature and scale of likely development in the district for the period from 2006 until 2028. The CIL charging schedule will be produced alongside the new local plan.

A2.3.3 The Plan is informed by various Evidence Based Reports. These include the **Employment Land Availability Assessment 2012** and **Employment Land Projections Update 2012** which together concluded that there was a need for at least 88 Hectares (gross) of new and redeveloped employment land in the District during the plan period 2006-2028. This also identified the potential demand for office floor space (up to 30,000 m^2 being required) over the plan period. The Local Plan has therefore identified 62 Ha of land for development for employment uses in and around Cannock, Hednesford and Heath Hayes; a further 26 Ha around Rugeley and Brereton of which 18 Ha has been completed; 3 Ha at Norton Canes (drawing upon the Employment Land Availability Assessment 2012).

A2.3.4 The **White Young Green Retail Study Update November 2012** provides a very comprehensive and current assessment of the district's retailing offer and was the basis on which the Local Plan identifies the need for additional retail development. This study does not intend to repeat the contents of the Retail Study; rather it draws from the findings in assessing appropriate retail scenarios.

A2.3.5 The Plan identifies a requirement for an additional 35,000 m^2 (gross) of comparison retail floor space in Cannock; Hednesford to provide an additional 8,000 m^2 of comparison retail and 6,400 m^2 of convenience retail floor space; Rugeley to provide 10,000 m^2 or comparison retail floor space and 4,900 m^2 of convenience floor space with improvements to other smaller local retail provisions.

A2.3.6 Similarly we have relied on **Jones Lang La Salle's Offices Study** which assesses the market for offices in the district. This was updated in October 2012 and is current. Again there is no need to repeat the comprehensive contents of this report but the findings are drawn upon to test appropriate scenarios for their viability.

A2.3.7 The Council has also prepared an **Infrastructure Delivery Plan** dated May 2013. This sets out the Council's infrastructure needed for the envisaged development during the lifetime of the Local Plan. In doing this it provides the evidence for the infrastructure requirements that CIL is intended to help fund. These infrastructure requirements will be set out in a draft 'Regulation 123 list' to accompany the preliminary draft CIL charging schedule.

A3. CIL in Neighbouring Boroughs

A3.1 In accordance with DCLG guidance, we have also taken into consideration the CIL charging schedules being proposed by all of the neighbouring local authorities.

A3.2 It is important to take into consideration the impact of neighbouring CIL charges on the prospects for future development. Disparity across borough borders is likely to have an effect on the viability, and hence the likelihood of development, from one borough to another. For instance, where one authority is levying a charge for a type of development and a neighbouring Council is not making a charge, it is probable that a developer or occupier is going to favour the site in the borough where no CIL charge is being made.

A3.3 The CIL levels being recommended are broadly in line with those in the adjoining and nearby boroughs. At the time of this report of the following local authorities:

- Newcastle-Under-Lyme Borough Council
- Stoke-on-Trent City Council
- Shropshire Council
- Stafford Borough Council
- South Staffordshire District Council
- Wolverhampton City Council
- Walsall Council
- Dudley Metropolitan Council
- Birmingham City Council
- Tamworth Borough Council
- Lichfield District Council
- East Staffordshire Borough Council

Only Stoke-on-Trent City Council and Newcastle-Under-Lyme Borough Council have completed the consultation on their joint Preliminary Draft Charging Schedule. Shropshire Council started charging CIL in January 2012 but has elected not to make any charge for non-residential development. Dudley Metropolitan Council closed their consultation on their Preliminary Draft Charging Schedule in February 2013 and Birmingham City Council closed their consultation on the Preliminary Draft Charging Schedule in January 2013. These are shown in Appendix 10.

A3.4 Therefore Cannock Chase Council is further advanced than many neighbouring authorities. There is limited influence to be drawn from those that have issued a Preliminary Draft Charging Schedule until they have had the results of the consultations incorporated and the Draft Schedules passed through the Examination process to confirm they are 'safe'.

PART B - NON-RESIDENTIAL DEVELOPMENT ASSESSMENT

B1. Introduction

B1.1 Adams Integra was tasked to consider the viability of a broad range of non-residential uses. It was chosen to categorise these under the Town and Country Planning Act (Use Classes Order) 2010. Under the DCLG CIL Guidance there is no obligation for the Council to be constrained by the Use Classes Order for categorising appropriate CIL charging rates. Rather it is whether a particular use is deemed financially viable as to whether a CIL charge is appropriate.

B1.2 Nevertheless the Use Classes Order provides a useful reference point. As many of the Use Classes listed have sub-categories we have looked at all of those types of development we consider most likely to be constructed in the area.

B1.3 These have been broken down into the following:

- Offices (B1a)
- Industrial/warehousing (B1 (b), B1(c), B2 and B8)
- Retail (including A1, A2, A3, A4 and A5)
- Hotels (C1)
- Student Housing (Sui Generis)
- Residential Care Homes/Nursing Homes (C2)
- Leisure Facilities (D2)
- Community Facilities (D1)

B1.4 Each of these is considered in more detail in the following sections. What should become clear is that the non-residential development industry works on a different basis from the residential markets. The value paid for a residential property is predicated on a quite different set of economic factors. Particularly the demand for a residential property is much more homogenous. Whereas a non-residential occupier may be a number of different types of businesses able to pay quite different values because of the sector they are in. For instance an office-based business considers their property needs in a very different and transient way to a supermarket operator.

B1.5 Furthermore the majority of the non-residential sector needs to factor in growth or negative growth. Hence more 'liquid' leasehold property assets are preferred than freehold property which is traditionally slower to sell and also consumes large amounts of otherwise 'working capital'.

B1.6 As a result of these factors, in most non-residential sectors the freeholds of the leased properties are transacted as investments by the likes of pension funds and property companies. The values that these investors will pay are determined by a range of factors which are explored further on in this section.

B2. Methodology

B2.1 Our methodology follows standard development appraisal conventions which are similar to those used in the report for residential development. We use assumptions that reflect local market and planning policy circumstances. We also consider the approach of neighbouring authorities to ensure consistency.

B2.2 As the Guidance Notes recommend we have used appropriate and available evidence. This has included discussions with local commercial property agents and valuers, research of local values through published data such as from the VOA Property Market Report, the Non-domestic Rating List, EGi, Estates Gazette, Property Week, EG Property Link, Novaloca and other available sources. This has ensured that the data used is up-to-date. Some developers known to be active in the area were contacted to assist in substantiating such data as build costs, land values paid and sales or letting information. Overall the response from this sector was poor and the information gathered from these efforts at local engagement produced limited factual evidence largely due to the commercially sensitive nature of the information being sought.

B2.3 Construction costs for the appraisals are taken from the Building Cost Information Service (BCIS) indices with appropriate regional adjustment. This is an industry standard source based on accumulated actual data.

B2.4 The other inputs such as interest rates, fee percentages and other costs are taken from standard industry practice appropriate to the type of development.

B2.5 As a result the methodology used has been demonstrated to be robust and compliant with the appropriate guidance.

B2.6 Other than for supermarkets and retail warehouses (discussed later), the appraisals do not make an allowance for s.106 contributions so that, in cases where the appraisals produce a surplus available to fund CIL, this recommended CIL rate could be collected under s.106, under CIL or under a combination of the two.

B2.7 In order to test the viability of each use we have adopted the same approved residual valuation approach whereby assessing the value left to pay for a notional site after one has sold the development in the open market (i.e. the Gross Development Value – GDV) and having allowed for the costs of the construction of the proposed development with all associated fees and costs (i.e. Gross Development Costs – GDC) with an element for the developer’s profit.

B2.8 Where different sectors use traditionally different methods of assessment we have taken these into account and adopted the market convention. For example offices are generally valued on a net internal floor area basis, whereas light industrial and warehouse property is valued on a gross internal basis. Hotels are valued on a per room basis and so on.

B2.9 It should be noted that due to the large number of variables and different financial inputs required using this technique, the results can only be used as a guide. Furthermore, there may be site-specific attributes that would affect the outcome that need to be taken into consideration when making assessments on a site-specific basis. Therefore, in accordance with Government guidance, it is essential that proposed CIL charges are set at levels that allow sufficient margins for these variations and:

> *'must aim to strike what appears to the charging authority to be an appropriate balance between' the desirability of funding infrastructure from CIL and 'the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area'.*

B3. Threshold Values

B3.1 When testing the impact of values on viability it is necessary to establish a threshold value against which one can assess whether the new form of development will prove financially viable given the rate of CIL proposed. The RICS has issued a new guidance note 'Financial Viability in Planning' (1st Edition 2012) which recommends the use of Site Value as the threshold. It is defined as:

B3.2 Site Value (for area-wide financial viability assessments)

B3.2.1 Market value subject to the following assumption: that the value has regard to development plan policies and all other material planning considerations and disregards that which is contrary to the development plan.

B3.2.2 Site Value may need to be further adjusted to reflect the emerging policy/CIL charging level. The level of the adjustment assumes that site delivery would not be prejudiced. Where an adjustment is made, the practitioner should set out their professional opinion underlying the assumptions adopted. These include, as a minimum, comments on the state of the market and delivery targets as at the date of assessment.

B3.2.3 We comment on the state of the market at B4 below. There is very limited evidence of non-residential land transactions in the Cannock Chase area to reach an adequate judgement for the different use categories. Therefore in the absence of appropriate and available evidence we have arrived at a range of threshold site values for the different uses from a broad judgement of comparable evidence from local market data, published reports and discussions with local agents. We have adopted the method of allowing a 20% landowner premium on the site value used to provide a higher value considered necessary to encourage that landowner to bring the site forward for development. This is considered appropriate to incentivise an otherwise unwilling seller and to offset possible relocation costs, re-investment costs and/or forgoing a future increase in value.

B3.2.4 In each of our residual appraisals we have made the assumption that the landowner has judged that the current building does not optimise the best use for the site and a higher value can be obtained by increasing the density by replacement with a larger building. This may be because of the lack of demand for the existing building due to such issues such as age, quality, layout or amenities. We consider that this method produces a more robust threshold value in the absence of significant numbers of recent open market commercial land transactions. Furthermore it introduces more appropriate local values and costs that are more readily available rather than relying on adjusted data from outside of the area. It can also be demonstrated that the resultant values can be converted into appropriate rates per hectare for comparison purposes.

B3.2.5 Redevelopment proposals that produce residual land values below the threshold site value are unlikely to be delivered.

B4. State of the Market

B4.1 It is important to set the tone of this study in the context of the current market for commercial development. As stated there are a broad range of use classes being covered and it is not appropriate to analyse each sector in great detail. It is sufficient to state that due to the current national and global economic situation, commercial development has generally been extremely subdued since the failure of Lehman Brothers in September 2008.

B4.2 The majority of commercial development is funded from sources external to the developer. Due to the ongoing banking 'crisis' the usual sources of development funding have effectively ceased or are only offered on onerous terms. This has largely been due to the banks' exposure to significant debts and their unwillingness to take on any further risks. Commercial property development, and in particular speculative development, is considered more risky than residential development and is now generally very scarce due to this lack of funding. This situation is likely to continue for several more years and until the usual sources have 'repaired' their balance sheets.

B4.3 Despite these comments, the development market will respond to occupier demand. Those sectors that are active will usually be due to occupiers seeking economies of scale such as some retailers and hotel operators expanding their chains; logistical efficiencies being required such as new distribution warehouses or a need for research and development accommodation, particularly in the field of technology. Otherwise it may be due to cost savings where property overheads are too substantial and more efficient or smaller accommodation is considered more economically viable.

B4.4 By its very nature the development market will always be creative and will find alternative sources of finance such as investors from overseas. In due course the Government's initiatives will also work through the system and help to address this issue. However, it is still unclear as to how long it will take to see a recovery in values and hence a recovery in development activity.

B4.5 For the purposes of this study we are guided to use current values and costs. CIL charging provisions allow for the calculations to be index-linked to the BCIS building costs index which will account for inflation. We are instructed to test on inflated and deflated costs and values and the sensitivity to different CIL charge rates. It is recommended that the charging schedule is reviewed after allowing sufficient time for developers to budget accordingly and being an appropriate amount of time to lapse to be able to identify changes in values.

B5. Rents

B5.1 Unlike the residential market it is more complex to analyse commercial property transactions to reach an opinion for the purposes of comparable evidence. A leasehold transaction is usually analysed into a rate per square foot or per square metre after allowing for such issues as lease term, rent review cycles, repairing obligations, security of tenure, stepped rental deals and rent free periods or other incentives. Similarly freehold transactions are analysed into rates of capital value per square foot/per square metre or per acre/hectare in the case of land where location, access, planning restrictions and other matters are taken into consideration.

B5.2 Accessing all of this information is often a challenge for valuers because it is more likely to be commercially sensitive. For instance a supermarket operator may not want competitors to know what rent they have agreed to pay on a particular property or a developer may not want the tenant to know what price they paid for a site. Certain information is available through the Land Registry but there is the ability to withhold certain information or to use Confidentiality Agreements or other mechanisms to protect certain details.

B5.3 Consequently, in forming their opinion, valuers must rely on a mix of verbal, anecdotal and published data as well as market reports, details of available property and the like. Providing all of this information for the broad range of different uses is neither practical nor appropriate for the purpose of this report.

B5.4 It is possible that non-residential uses with similar rental levels will show differing degrees of viability as a result of different capital values. This will generally be due to the appropriate capitalisation yield being used for the differing uses.

B6. Yields

B6.1 To understand the basis of the residual appraisal technique for non-residential development, one must have some understanding of the use of yields in reaching a capital value. The yield or more fully the 'All Risks Yield' is used by investors to calculate the 'return' they will receive in the form of rent when a particular price is paid for the ownership of that income. Thus the yield is used to multiply the net rental income to produce a capital value. The figure used for the yield is drawn from a combination of the valuer's experience in considering such factors as the state of the market, likely prospects for rental growth, the covenant strength of the tenant, the type of use, the quality of the building and location, the terms of the lease and any other factors relevant to a purchaser wanting to buy the completed development. These factors all contribute to the overall security of the income from the investment which is usually seen as of the greatest value to investors.

B6.2 The yield is stated as a percentage and the outcome is inversely proportional to its size i.e. the lower the yield figure the more times the rent is multiplied and hence the higher the value.

B6.3 Since 2008 the yields for commercial properties have generally increased therefore producing lower capital values. This is as a result of the limited amount of funds in the market place, weakening occupier demand and hence lower rents, shorter leases and a general lack of confidence in capital growth. The investment market is historically cyclical and yields are expected to reduce again in time although it is not clear whether this will be in the medium or longer-term.

B6.4 The yields used for this study are set below. The investment market for each category will change from time to time and hence it is advisable to review the CIL charging schedule at suitable intervals to ensure appropriate rates are used as small changes in the yield can have more significant impact on the outcome of an appraisal especially where large rental values are being used.

B6.5 The yields used in this report which have been considered to be appropriate to the market at the time of this report and suitable for the location, are as follows:

Offices	7.5%
Industrial/Warehouse	8.0%
Comparison Retail	7.0%
Convenience Store	6.75%
Retail Warehouse	7.5%
Supermarket	5.5%

B6.6 The viability impact of different yield levels can be seen from examples based on supermarket and convenience retailing uses. The supermarket might benefit from a tenant of greater covenant strength and a reduced yield of, say, 5.5% resulting in a higher capital value per square metre. The convenience store might have a tenant of weaker covenant strength, resulting in a higher required return of, say 6.75%

and consequently a lower capital value per square metre. The example below shows a differential of over £500 per square metre or 22% results when there is a difference of only 1.25% in the yield used:

Supermarket:	Rent per sqm	£150
	Return/yield	5.5%
	<u>Capital value</u>	<u>£2,727 per sqm</u>
Convenience store:	Rent per sqm	£150
	Return/yield	6.75%
	<u>Capital value</u>	<u>£2,222 per sqm</u>

This yield difference can, therefore, give rise to viability differences, even when rents are similar.

B7. Development Inputs

B7.1 The residual appraisal method requires a number of inputs to be deducted from the Gross Development Value. By the nature of using notional sites, site-specific abnormal costs cannot be taken into consideration.

B7.2 The input costs include all of the costs of construction and includes professional fees, demolition costs, site acquisition costs, with interest charges for holding the land and on the construction costs and fees, with a contingency to reflect uncertainties. The levels of these inputs have been taken either from industry norms or from interviews with local surveyors or other appropriate sources. For instance professional fees are set at a percentage of the construction costs and will allow for such items as planning and architects fees.

B7.3 Developers' profits have been calculated using the industry norm as a percentage of total development costs. This reflects the current market conditions where developers place more emphasis on achieving a profit on the capital actually employed rather than reliance on a notional value that may be achieved at some uncertain time in the future from the sale of the completed development. This approach differs to the residential industry where there is currently more certainty and hence the developer's profit is calculated as a percentage of the Gross Development Value (GDV).

B7.4 S.106, s.278 and other site-specific costs are not included, as these are notional sites with generic assumptions. With CIL charges intended to replace s.106 contributions in respect of funding for general infrastructure provision, it is the general provision contribution element that is being tested. Where there are site-specific issues justifying contributions to off-site mitigation, the s.106 and s.278 system of contributions is still available to the Council, subject to the items not being already accounted for on the Regulation 123 list, which would otherwise be considered as 'double dipping'.

B7.5 We have carried out consultations with representatives of supermarket operators. In particular these two categories of development have been incurring additional planning costs through the need for extra consultation and mitigation due to the larger impact on the surrounding community. This is best demonstrated particularly by recent s.106 agreements for Tesco food stores at Rugeley and Hednesford. Agreement was reached for the developer to make substantial contributions to the likes of bus service infrastructure, pedestrian and cycle links, town centre improvements and art and public realm improvements. On future schemes some of these items would be picked up by CIL contributions to Regulation 123 items. Other site-specific items may continue to be collected through s.106 and s.278 contributions. Nonetheless it is clear that this category is sufficiently viable to make additional contributions but that an allowance needs to be added to reflect the additional cost. Therefore based on this evidence we have added an additional 10% to the development costs for these two categories only to allow for additional planning costs that other uses are not usually subject to.

B7.6 Within all of these development costs we have tested a range of CIL charges to test the sensitivity of any surplus to a range of charges from £0 per m^2 up to £280 per m^2. However this testing shows that development viability is far more sensitive to changes in rent and yield rates than CIL rates. This is best demonstrated by looking at the supermarket appraisal (Part E, Appendix 5) where a £10/m^2 change in the CIL charge creates only a 7.5% change in the surplus, whereas a £10/m^2 reduction in the rental rate can create a 92% reduction in the surplus. Similarly a relatively modest 0.25% increase in the yield can create a 32% reduction in the surplus.

B7.7 It should be noted that, where there is a zero or negative land surplus, any further land costs, such as acquisition fees or stamp duty are irrelevant. It will be seen from the commercial appraisals in the appendices that, in these circumstances, these hypothetical costs do not affect the outcome and are disregarded.

B8. Understanding the Viability Appraisal Outcomes

B8.1 We provide in the appendices a selection of the appraisals for various non-residential uses. As stated earlier there are a large number of inputs and there is the need to test the sensitivity of several of the variables that are expected to fluctuate and have the most impact such as rent against yield shifts; rent changes against construction cost changes; yield shifts against construction costs and so on. Consequently it would not be appropriate to provide an appraisal for each and every combination here. Rather we have provided a 'snapshot' at the £nil CIL rate with a table against each appraisal showing sensitivity of the surplus to changes in the rent and yield shifts (or other equivalent variables appropriate to Hotels).

B8.2 Each appraisal shows the inputs used and starts with calculating the GDV based on an assumed size of building. From this the purchaser's costs of acquiring the completed development are taken off on the standard assumption that the development will be sold and the purchaser will have stamp duty land tax, legal and agents/valuers fees to pay for.

B8.3 The next section demonstrates the Gross Development Costs (GDC) incurred in the construction of the building. As stated these are generic with construction costs drawn from the BCIS Index and do not allow for site-specific items. Within these costs is the tested CIL amount which is where the developer would allow for the charge. The costs also include the standard developer's profit of 20% of the development costs which is the reward for the risk of the development.

B8.4 The following section calculates the difference or residual amount left after the costs (GDC) are deducted from the end scheme value (GDV). This is the surplus left to acquire the land/site. It is this amount which is then tested against the notional threshold value to establish the viability.

B8.5 Therefore, the final section shows how the threshold value is calculated, which in itself is a brief residual valuation assuming the notional building of half the size and its GDV. The other inputs are a sum for refurbishment, finance costs and a final value. To this is added the 20% landowner's premium identified as necessary for him to bring the site forward for development. We subtract this figure from the earlier residual land value of the proposed scheme and the result is referred to as the 'Surplus to Fund a CIL'.

B8.6 The sensitivity of the surplus is tested against different levels of inputs such as rent and yield. It is also tested against different CIL charges from £0/m^2 up to £280/m^2. As the Guidance states, the amount of the surplus should not be so small as to make the scheme unviable or appear so risky as to deter a developer from bringing the project forward. The amount of this surplus is after a developer's profit has been allowed for and can be seen as the safety margin or 'buffer'. The amount of this buffer will vary subjectively from the type and size of development and hence the level of perceived risk. Consequently because these appraisals are based on notional sites the outcomes are hypothetical and can only be provided as a guide for setting CIL charges and cannot be considered to provide a definitive answer.

B8.7 A proposed scheme is deemed viable if the surplus left is sufficient to provide an adequate buffer for site-specific abnormal costs. This buffer will be relative to the size of the overall costs. A negative result indicates that the scheme is not viable as either the scheme's value is insufficient to cover the costs, or the costs are so high that no surplus is generated in which case the land or site is unlikely to be brought forward for development.

B8.8 Whilst a surplus may appear large enough to support a CIL charge this figure must be read in the context of the relative use class and the factors affecting the various inputs along with the desired outcome for encouraging new development in that use category. As previously stated minor shifts in values and or yields can significantly affect the outcome. When assessed in the context of the proposed buffer, we do not believe that the resultant surplus is sufficient to justify a CIL charge for the majority of non-residential forms of development.

B8.9 In looking at the viability appraisals of the use types which were modelled for this report, it can be seen that there appear in some cases to be surpluses available to sustain CIL.

B8.10 However it is important to remember that these are notional development scenarios only and that they therefore need to have an in-built 'safety margin' or 'buffer'. This is so that in setting any CIL charge, it will not be set at a level which could undermine the viability of actual development of that use type.

B8.11 Therefore it needs to be appreciated that small changes in the level of rent or yield can eliminate a surplus that could otherwise sustain a CIL charge. For example, the impact of changes in rents and yields on the viability surplus is demonstrated in the following table:

Rent £/m^2	**£140.00**	**£160.00**	**£180.00**
Yield			
5.25%	£573,003	£1,416,943	£2,260,883
5.50%	£302,481	£1,107,775	£1,913,069
5.80%	£8,638	£771,954	£1,535,270
6.00%	-£170,933	£566,730	£1,304,393
6.25%	-£379,235	£328,670	£1,036,576
6.5%	-£571,514	£108,923	£789,360
7.0%	-£914,870	-£283,483	£347,904

For this model using a rent based on £160/m² sold at a yield rate of 5.8% produces a notional surplus of £771,954 when compared with the existing value. This is considered high enough to sustain a CIL charge. However, the table shows what happens when the rent and/or the yield rates change. The rent would need to fall by only 12% to £140/m² and the yield would need to rise by only 0.2% to wipe out the margin which makes it viable to sustain a CIL charge.

B8.12 The rent and yield rates vary between development types but this table shows what can happen when they are subject to small changes. It demonstrates the need for the study to adopt suitably large buffers to allow for these relatively small changes.

B8.13 The amount of the buffer applied to each category is not a fixed percentage. Rather it is dependent on a range of factors that the valuer considers relevant which includes the level of volatility in that sector and the consequential affect on the level of rents that are affordable by tenants as well as the investment markets perception of the category as a suitable investment vehicle.

PART C - NON-RESIDENTIAL DEVELOPMENT TYPE FINDINGS

We now comment on the assumptions and findings for the various non-residential uses. The Regulations allow charging authorities to articulate differential rates by reference to different intended uses of development provided that the different rates can be justified by a comparative assessment of the economic viability of those categories of development. The definition of "use" for this purpose is not tied to the classes of development in the Town and Country Planning Act (Use Classes) Order 1987, although that Order does provide the most useful reference point.

C1. Offices

C1.1 The office market is currently offering the least ability to afford CIL charges. This is due to lower rents resulting from weak occupier demand and higher yields resulting from shorter leases and weaker covenants. Second-hand office accommodation is being offered for as little as £65 per m^2 [£6.00 per ft^2]. Our appraisals are carried out using £150 per m^2 [£14.00 per ft^2] which is considered the minimum level a developer would require to construct new stock.

C1.2 It is recognised from the evidence in Jones Lang La Salle Offices Study that the area is still to be recognised as a popular location for offices. The fragile economic viability of commercial development is sensitive to increased costs and we have concluded, similar to many other authorities, that despite a perception that values will strengthen, there is no surplus in the residual appraisals to support any CIL charge in the Use Class 'B' categories (offices, industry and warehousing). A CIL rate of zero is therefore recommended for office development.

C1.3 The appraisal calculations for office uses appear at Part E, Appendix 1. The sensitivity of the surplus to fund a CIL charge are set out in the table below showing the effect of rent and yield changes:

Offices
Surplus to fund CIL - sensitivity

Rent/sqm	£140.00	£150.00	£160.00
Yield			
7.00%	-£1,592,736	-£1,357,462	-£1,122,189
7.50%	-£1,814,663	-£1,595,241	-£1,375,819
8.00%	-£2,008,849	-£1,803,298	-£1,597,746
8.50%	-£2,180,190	-£1,986,877	-£1,793,564

C2. Industry and Warehousing

C2.1 Very similar to the office market, the industrial and warehouse markets are also currently offering the least ability to afford CIL charges. This is for the same reasons of lower rents resulting from an adequate supply of stock, weak occupier demand and higher yields resulting from shorter leases and weaker covenants.

C2.2 It is recognised that in the past the area generally had a relatively strong economy based on manufacturing. However much of this industrial base has been lost and is still in the process of being replaced. The economic viability of commercial development is sensitive to demand by businesses. Increased demand is being seen at Kingswood Lakes for B8 and B1 uses due to the good access to the motorway junctions and this is anticipated to increase. However based on current available evidence we have concluded that despite anticipated strengthening of values, there is still no surplus in the residual appraisals to support any CIL charge in the Class B category.

C2.3 Our appraisals have used rental values based on £59 m^2 [£5.50 per ft^2] for new development such as at Kingswood Lake. Second hand buildings are being let at head line levels of £43-£54 m^2 [£4.00-£5.00 per ft^2] which shows how small the differential currently is between new and second hand rents. This differential needs to increase before new development becomes more attractive to developers. Therefore a CIL rate of zero is recommended at this stage in line with the findings of virtually all other local authorities.

C2.4 The appraisal calculations for industry and warehousing uses appears at Part E Appendix 2. The table shows the sensitivity to rent and yields below:

Industrial/Warehousing
Surplus to fund CIL - sensitivity

Rent/sqm	£49.00	£59.00	£69.00
Yield			
7.5%	-£1,232,110	-£966,106	-£700,101
8.0%	-£1,314,600	-£1,065,430	-£816,260
8.5%	-£1,387,385	-£1,153,069	-£918,753
9.0%	-£1,452,083	-£1,230,971	-£1,009,858

C3. Retail

C3.1 Classes A1 to A5 cover property used, for example, as small newsagents, estate agents, takeaway food establishments, pubs, retail warehouses and large scale food stores.

C3.2 Retail Definitions

For the purposes of this study, comparison retail has been defined as 'sales floor space used for the sale of clothing, shoes, furniture, household appliances, tools, medical goods, games and toys, books, stationery, jewellery and other personal effects'. Comparison retailing is found in prime positions commonly referred to as the High Street where the footfall is highest and sales revenue is able to support higher rents. Comparison retailing is also found in secondary locations where footfall is lower and consequently sales revenue is usually lower. This usually results in rents being less than High Street locations, the tenants often being smaller businesses with lesser covenants than High Street retailers and therefore producing less attractive investment property.

C3.2.1 For the purposes of this study the definition of a Convenience Store can be taken from the one used by the Institute of Grocery Distribution as follows:

1. Size: The store must be under 278 m^2 [3,000 ft^{22}] sales area.

2. Opening Hours: Not subject to restricted opening hours under the Sunday Trading Act.

3. Product Categories: Stock at least seven of the following core categories:

- Alcohol
- Bakery
- Canned & packaged grocery
- Chilled food
- Confectionery
- Frozen food
- Fruit/Vegetables
- Health & beauty
- Hot food-to-go
- Household
- National lottery
- Milk
- Newspapers/Magazines
- Non-food
- Sandwiches
- Savoury snacks
- Soft drinks
- Tobacco

The convenience sector is divided into five segments according to the type of ownership:

1. **Co-operatives** (e.g. The Co-operative Group, The Southern Co-operative)
2. **Convenience forecourts**
3. **Convenience multiples** (convenience specialists and some supermarket based chains, e.g. Tesco Express, Sainsbury's Local and McColls)
4. **Symbol groups** (e.g. SPAR, Londis, Premier)
5. **Non-affiliated independents**

C3.2.2 For the purposes of this study a Supermarket is defined as 'a food-based, self-service, retail unit greater than 280 square metres and governed by the Sunday Trading Act 1994', where a 'large shop' is defined as having a 'relevant floor area exceeding 280 sqm' which may be affected by restricted opening hours on Sundays.

C3.2.3 Retail warehouses are defined as non-food stores displaying and selling comparison goods, such as bulky household goods (including carpets, furniture, and electrical and DIY items), clothing, and recreational goods, within large format shed like buildings, often (but not necessarily) on one level, with associated adjacent car parking so as to cater mainly for car-borne customers.

C3.2.4 It should be noted that CIL charges are calculated on the net new gross internal floor space created by the new development. Therefore, where an existing building is to be demolished, the floor area of the old building is deducted from the floor area of the new building. The resultant figure is then multiplied by the appropriate levy rate per square metre.

C3.2.5 We have looked at CIL rates up to £120 per m^2 as being sustainable on retail warehouse and supermarket development. However, minor changes of £10.00-£20.00 per m^2 in rent levels and yield changes of 0.5%-1.0% can significantly affect the viability.

C3.2.6 To further illustrate this point a reduction in the rent of £10 per m^2 on a 1,000 m^2 building which is valued using a yield 0.5% higher can produce a 16.5% reduction in the capital value as follows:

£100 m^2 x 1,000 m^2	£100,000 per annum rent
Years Purchase in perpetuity @ 6.5%	15.384
Capital Value	<u>£1,538,400</u>

Compare this to:

£90 m^2 x 1,000m^2	£90,000 per annum rent
Years Purchase in perpetuity @ 7.0%	14.285
Capital Value	<u>£1,285,650</u>

C3.2.7 In terms of the size of retail development and the potential for differentiation, we have looked at the case of Sainsbury's challenging the Borough of Poole on their proposed differential rates for retail and 'super stores' above 3,000m^2. Poole accepted that because there was no clear guidance in the CIL Regulations to allow differential charging rates for the same use, Sainsbury's detailed evidence was accepted due to this lack of clarity. Therefore, Poole decided to change their schedule to allow all A1 Retail development under 500m^2 to be charged £nil and all A1 Retail development over 500m^2 to be charged £211m^2.

C3.2.8 The Examiner found this approach unsound and as a result the higher rate has been changed to nil. The Examiner stated in her final report that:

> *"There is nothing in the CIL regulations to prevent differential rates for retail development of different scales. However paragraph 25 of the CLG guidance (CIL Guidance: Charge setting and charging schedule procedures) states that where a charging authority is proposing to set differential rates, it may want to undertake more fine-grained sampling to identify a few data points in estimating the zone boundaries or "different categories of intended use."*

This 2010 guidance has been updated by the 2013 CIL Guidance as follows:

> *"Regulation 13 also allows charging authorities to articulate differential rates by reference to different intended uses of development provided that the different rates can be justified by a comparative assessment of the economic viability of those categories of development. The definition of "use" for this purpose is not tied to the classes of development in the Town and Country Planning Act (Use Classes) Order 1987, although that Order does provide a useful reference point."*

C3.2.9 We have taken into consideration the subsequent Examiner's Report on Wycombe District Council's Draft Charging Schedule. He states that there is nothing in the CIL Regulations to prevent differential rates for retail developments of different sizes and differing retail characteristics or zones providing they are justified by the viability evidence.

C3.2.10 We have also looked at the Examiner's Report on Southampton City Council's proposed charging schedule where he states:

> *"Although limited in scope and extent, the Council's evidence clearly demonstrates that the proposed CIL rate of £43 per square metre (psm) for new build retail floorspace would be currently viable across the city at both the supermarket and neighbourhood convenience store scale. Moreover, in a relatively small and compact city, there are insufficient economic viability, geographical or any other important differences between the various parts of Southampton that might, individually or collectively, help to justify a need for separate retail charging zones."*

C3.2.11 We have also considered the Examiner's comments on the New Forest District Council's proposed charging schedule and the Council's response that defended a size differential based on 1,000m^2. These comments can be found at: www.newforest.gov.uk/ Preliminary Conclusions on CIL retail charge.

C3.2.12 Furthermore the draft CIL Regulations published in April 2013 make it clear that, provided the evidence justifies it, different CIL rates can be set for different sizes of the same type of development.

C3.2.13 Having looked at the sensitivity of the different retail uses to different rental values and yields, we believe that, in Cannock Chase there is sufficient 'fine grained' evidence that demonstrates that certain retail categories within the A1 Use Class are sufficiently viable to support a CIL charge in the district and others are not.

C3.2.14 There is no predetermined size for new retail development. For instance comparison retailing takes place in small boutiques up to large department stores. Similarly convenience retailers can trade as a sole trader from a kiosk or small newsagents up to larger One Stop or Co Op style store. Similarly supermarket traders can occupy different size stores from the smaller deep discount stores of Aldi or Lidl up to much bigger superstores such as the Tesco Extra format. Often the size of the site shape and location will determine the design and size of the building.

C3.2.15 However, the valuation inputs remain largely the same within the various categories when compared on a per square metre basis and the nature of the residual appraisal permits testing of different sizes of development.

C3.2.16 The difference between the larger convenience formats is beginning to overlap with smaller supermarkets as the large four supermarket operators (Tesco, Asda, Morrison's and Sainsburys) are now opening much smaller local stores to service the demand for convenience shopping.

C3.2.17 However, there is still a yield differential between convenience stores and supermarkets. This can largely be put down to the length of lease the retailers are taking for convenience stores which is usually 15 years with a tenants option to break at year 10. Whereas supermarkets will usually require a 25 plus year lease because of the longer term required to recoup the higher development costs.

C3.2.18 Also the new convenience store lease will usually have a rent review that has restrictions on increases known as a 'cap and collar' which restricts the growth in the rent - hence protecting the tenant from the potential for large increases in the rent but also removing the attractiveness for investors to benefit from above inflation rent increases.

C3.2.19 It becomes more difficult to compare supermarket sales revenue generated per square metre with convenience retailing per square metre just based on the impact of Sunday Trading Act restrictions. Convenience stores will open for much longer year round week day and week end trading hours. However, they stock a more limited range and amount of stock compared to the much bigger offer of a supermarket.

C3.2.20 Whilst the impact of sales revenue will lead to a higher affordable rent for the purposes of testing viability the most significant variable is the yield for the reasons stated.

C3.2.21 The given definitions between these two categories are considered clear and robust. The appraisal evidence has tested for the different sizes and yields and demonstrates differing viability.

C3.2.22 We have also taken into account the White Young Green Retail Study Update 2012 which identified the need for to encourage retail development and we consider that any CIL charging may prove a barrier on otherwise marginally viable sites.

C3.2.23 In the tables below we set out the surplus left to fund a CIL contribution for the various categories after changes in two sets of variables. The greyed out box is assessed as the appropriate result for the local market conditions:

Convenience Retailing
Surplus to fund CIL - sensitivity

Rent/sqm	£135.00	£145.00	£155.00
Yield			
6.50%	-£12,362	£19,571	£51,503
6.75%	-£28,486	£2,253	£32,991
7.00%	-£43,458	-£13,828	£15,801
7.25%	-£57,397	-£28,800	-£203

Comparison Retailing
Surplus to fund CIL - sensitivity

Rent/sqm	£313.00	£323.00	£333.00
Yield			
6.50%	£301,854	£323,245	£344,635
7.00%	£253,538	£273,385	£293,232
7.50%	£211,664	£230,173	£248,682
8.00%	£175,024	£182,363	£209,701

Retail Warehouse
Surplus to fund CIL - sensitivity

Rent/sqm	£152.00	£162.00	£172.00
Yield			
6.75%	£876,360	£1,080,166	£1,283,972
7.00%	£764,587	£961,040	£1,157,493
7.25%	£660,523	£871,474	£1,039,736
7.50%	£563,396	£850,129	£929,829

Supermarket
Surplus to fund CIL - sensitivity

Rent/sqm	£152.00	£162.00	£172.00
Yield			
5.00%	£1,136,921	£1,586,546	£2,036,172
5.25%	£809,208	£1,237,273	£1,665,338
5.50%	£511,287	£919,752	£1,328,217
5.75%	£239,272	£629,841	£1,020,410
6.00%	-£10,075	£364,090	£738,255

C3.2.24 We have taken into account the fragile nature of the retail market. Whilst we see that convenience stores and food retailing, as well as larger retail warehouses, are proving viable, high street-type comparison shopping is not strong enough at this stage. This is due to various reasons such as poor consumer confidence and hence reduced spending; more purchasing using the Internet and superstores also offering comparison goods that have traditionally been offered in the high street.

C3.2.25 Furthermore there are many stronger retail centres in the near vicinity such as Lichfield, Stafford, Stoke or Walsall that attract higher footfall due to larger catchments. These centres tend to attract the larger retailers who tend to group together to create a stronger 'offer' to shoppers. By their own success at generating higher revenues these retailers are able to afford higher rents and also attract higher investment yields.

C3.2.26 Due to the geographical constraints of the centres within Cannock Chase District the footfall is not as high as these nearby centres and hence comparison type retailers will not be able to generate the same level of revenues. Consequently rents will be lower as will investment yields and the attractiveness for new development. This is evidenced at the Cannock Shopping Centre where the tone of the rents is around £377-£430 per metric unit [£35-£40 per imperial unit] in terms of Zone A on relatively short leases with significant incentives.

C3.2.27 Therefore, despite the comparison retailing appraisals showing a surplus after a nominal CIL charge is allowed for, due to this fragility our recommendation is to make a £nil charge for comparison retailing.

C3.2.28 In order to retain and strengthen Cannock's role as a strategic regional centre, the Council sets out its ambitions in policy CP11 to deliver a significant increase in comparison goods retail floor space in Cannock town centre, although it is accepted that that this is unlikely to be deliverable in the short term. Retail property provides a community service and can put pressure on infrastructure provision such as highways, transport and parking requirements. We have also considered that the main centres in the district are generally fully developed and new retail floor space will most likely come from redevelopment and hence replacement floor space where the net additional space liable to a CIL charge may make the resulting contribution relatively negligible.

In such cases s.106 and s.278 contributions are still available for site-specific needs, so that otherwise onerous CIL charges need not affect all development.

C3.2.29 We have looked at four different types and size of retailing within the A1 Use class. To demonstrate the fine-grained evidence, our viability appraisals cover smaller convenience type stores, comparison shopping, larger scale supermarkets and retail warehousing. These also show the possible types of uses that one would expect to see in larger out-of-centre sites. We have also considered Class A3 (restaurants and cafes), A4 (drinking establishments) and A5 (hot food takeaways) which once established can all benefit from permitted development rights to A1. These have very similar inputs and outcomes to convenience stores. These show a very small surplus to afford a CIL charge before any abnormal construction costs are added.

C3.2.30 Based on our findings our recommendation is that a £nil rate CIL charge is appropriate across the whole district for all types of Class A development other than retail warehousing and supermarkets where we consider that a CIL charge of £60 per square metre is affordable, without affecting viability. We consider that this level should avoid any threat to delivery of the Local Plan, encourage development to come forward and assist in making the district more attractive to developers.

C3.2.31 Recommended retail CIL rates:

- A zero rate of CIL for comparison retailing.
- A zero rate of CIL for convenience retailing.
- A CIL rate of £60/m² for supermarkets.
- A CIL rate of £60/m² for retail warehouses.

The appraisal calculations for retail uses appear at Part E, Appendices 3, 4, 5 and 6.

C4. Hotels

C4.1 The Budget Hotel chains are currently the only sector in the hotel industry weathering the economic downturn, by using formulaic development models and benefiting from economies of scale which can afford cheaper room rates. However, they are very selective on location and the costs they can afford are sensitive. Debt funding has also been problematic, as evidenced by the recent financial restructuring of the Travelodge chain.

C4.2 Our findings show that hotel development in the district could support CIL charges of up to £20 per m^2. We would expect any hotel development to be most likely on or near to the M6.

The following table shows the sensitivity to changes in the capital value attributed to each room against changes in the construction costs showing a £10,000 reduction in room values rendering the scheme unviable.

Hotel
Surplus to fund CIL - sensitivity

Capital value per room	£65,000	£75,000	£80,000
Build Costs			
£1,202	£261,554	£1,118,384	£1,546,799
£1,302	-£8,951	£847,878	£1,276,293
£1,402	-£279,457	£577,373	£1,005,788
£1,502	-£549,962	£306,867	£735,282

Therefore we conclude that a £nil rate is recommended for hotel development.

The appraisal calculations for hotel uses appear in Part E, Appendix 7.

C5. Care Homes

C5.1 We have been instructed to specifically assess the viability of care homes in terms of supporting CIL. These fall within the Class C2 category, which covers residential institutions such as care homes, hospitals, boarding schools and residential training centres. Class C2A covers Secure Residential Institutions such as prisons and custody centres as well as military barracks.

C5.2 We have looked at the consultation undertaken by other local authorities in respect of care homes and the responses they received from both the NHS and the private sector. Very few authorities have found sufficient evidence to justify a charge. However in particular the consultation of Fareham Borough Council's evidence is noteworthy. It resulted in their proposed charge for C2 Care Homes being reduced from £105 m^2 to £60 m^2 as the re-examined viability was shown to be less robust that originally presented. The Examiner agreed with this reduction because no evidence was produced to the contrary [see http://www.fareham.gov.uk/pdf/planning/fbccilfinalreport.pdf]. The focussed consultation carried out in June 2012 resulted in acknowledgement that even without any planning obligations care homes are only marginally viable.

C5.3 The residential care homes market is split almost equally between those that are used, and hence paid for by the public sector, and those that provide for private patients and income. As both types fall under the same use class it would not be straightforward to differentiate between them in terms of assessing CIL viability. This is notwithstanding the fact that if CIL were to be imposed on one category only, and the ownership and thus funding arrangements of a care home subsequently changed to the one on which CIL is payable, the Council has 'clawback' powers under clause 65 of the CIL Regulations 2010 to extract the CIL that otherwise would have been payable at the time of granting of permission.

C5.4 The financial viability is sensitive to the revenue generated and running costs. Using local values our viability analysis shows that there is no surplus to be able to support a CIL charge for this category.

C5.5 For these reasons we consider that a £nil CIL charge rate is appropriate for care homes in the Cannock Chase district.

Care Home
Surplus to fund CIL - sensitivity

Capital value per room	£80,000	£90,000	£100,000
Build Costs			
£1,202	-£2,071,666	-£1,413,359	-£755,051
£1,302	-£2,608,574	-£1,950,267	-£1,291,960
£1,402	-£3,145,483	-£2,487,176	-£1,828,869
£1,502	-£3,682,392	-£3,024,085	-£2,365,777

The appraisal calculations for Care Home uses appear in Part E, Appendix 8.

C6. Leisure Uses

C6.1 D2 uses (assembly and leisure) are similarly diverse. Of the privately operated gyms, cinemas, bowling alleys and other leisure uses, revenues have been significantly affected by both reduced consumer spending and a change in culture and competition brought about by the Internet. As a result the demand from operators has dwindled and these types of uses are now usually to be found in larger mixed-use developments where there is a retail and food offer as well.

C6.2 The new development inputs are similar to those for retail warehousing where modern construction comprises of steel portal framed buildings with a mix of cladding and ample car parking. A tenant will then 'fit out' whether as a cinema, gym, ten pin bowling, etc. Often developers of these types of uses look to congregate them together.

C6.3 The result of reduced operator demand for these types of uses is a reduction in the level of rents being paid. Also, the investment yields have softened considerably as operators have been going into Administration raising the concerns of investors over the security of the sector as a revenue stream. We have not become aware of any proposed leisure schemes in the Cannock Chase district coming forward in the short to medium term. As a result of all of these factors combined we do not believe they are viable in the current economic climate. Leisure activities are changing, consumer spending on leisure activities is likely to increase and new forms of D2 development may prove to be profitable in the future. At this time these can uses can be reviewed when the Charging Schedule is reviewed.

Health & Fitness Gym
Surplus to fund CIL - sensitivity

Rent/sqm	£65.00	£70.00	£75.00
Yield			
7.50%	-£694,994	-£553,757	-£412,155
7.75%	-£755,001	-£618,198	-£481,394
8.00%	-£811,258	-£678,782	-£546,306
8.25%	-£864,105	-£735,695	-£607,284

C6.4 At this point we consider that a £nil CIL charge rate is appropriate for leisure uses. The appraisal calculations for leisure uses appear in Part E, Appendix 9.

C7. Community Uses

C7.1 Community Uses fall within Class D1 (non-residential institutions) and covers a diverse range of uses including clinics, crèches, libraries, places of worship amongst others. The majority of these do not generate revenue nor are traded as investments in the same way as those in the above categories. Often those that do generate revenue streams have operating costs that usually exceed their income, such as swimming pools and libraries. Therefore, they often only exist through public subsidies.

C7.2 Hence CIL charges are expected to help to fund the delivery of development providing community uses, rather than community uses contributing a CIL charge, only for it to be used to fund itself. Therefore, we consider that a £nil charge rate is appropriate.

C8. Non-Residential Conclusions

C8.1 This study has been prepared when the commercial property markets have been showing very low levels of both development and occupier activity. Consequently the values used have been relatively low compared to pre-2008 figures. One would expect the usual property cycle to prevail whereby as the economy improves occupier demand returns, investor confidence increases and development activity resumes. At this stage we would recommend that this viability study is reviewed.

C8.2 In the meantime we have had to allow substantial buffers to allow for a variety of possible influences on values. For instance there is the possibility of significant interest rate rises; even weaker occupier demand, and/or possible increases in land availability in the area.

C8.3 However, there is market confidence that food retailing will always be necessary. Therefore, as long as there is healthy competition between the retailers for suitable sites and tight planning controls on large scale retail development (particularly outside of the main local centres), supermarket development will continue to generate higher values and be able to afford a CIL charge.

C8.4 The retail warehousing sector is growing, out of changes in shopping habits which are being fuelled by both the increase in shopping as a car borne leisure activity and the increasing use of the Internet, through 'click and collect' and catalogue type purchasing (e.g. Argos, Screwfix). This sector is expected to continue along its growth trajectory which is why the values are revealing the sectors capacity to support a CIL charge where traditional comparison retailing cannot.

C8.5 It is disappointing to see the poor outcomes of the 'B' categories. As a result of the recent Jaguar/Land Rover development at the i54 Park in nearby South Staffordshire, it is anticipated that there will be positive occupier demand for B1, B2 and B8 type development particularly at Kingswood Lakes because of the good motorway access to the M6/M6 Toll. Therefore we expect that office and industrial property values in the district will improve over time. However in the short to medium term this type of development should be encouraged in the district and a £nil charge is appropriate at this stage.

PART D - RECOMMENDATIONS

D1. The CIL viability study has concluded that in the present economic climate there is very limited viability for developer contributions. At present the only forms of non-residential development that can withstand a CIL charge are supermarkets and retail warehouses.

D2. In the light of these circumstances we RECOMMEND:

1. In respect of retail development, for all locations in the district we recommend overall developer contributions of £60 per square metre for supermarkets and retail warehouses as defined in the report, and zero for all other forms of retail.

2. A £nil charge for all other forms of development.

3. We also recommend that when a perceptible improvement in the property market occurs, this CIL viability study be refreshed in order to determine whether a revision of developer contribution rates would be justified.

Recommended CIL Rates

Use Class	**Recommended CIL Rate –£ per m^2**
Office – B1a	**£nil**
Industrial and Warehousing- B1b/B1c, B2 & B8	**£nil**
Retail – **All A1-A5 class uses other than retail warehouses and supermarkets** **A1 retail warehouses and supermarkets only**	 **£nil** **£60**
Hotel - C1	**£nil**
Residential and non-residential institutions – C2	**£nil**
Leisure uses – D2	**£nil**
Community uses – D1	**£nil**
All other development	**£nil**
Residential – C3	**£40**

PART E - APPENDICES

E1. Appendices

Appendix 1	Office Appraisal
Appendix 2	Industrial Appraisal
Appendix 3	Comparison Retail Appraisal
Appendix 4	Retail Warehouse Appraisal
Appendix 5	Supermarket Appraisal
Appendix 6	Convenience Store Appraisal
Appendix 7	Hotel Appraisal
Appendix 8	Care Home Appraisal
Appendix 9	Leisure/Gym Appraisal

E2. CIL Rates in Adjoining Boroughs

Appendix 10	CIL Rates in Adjoining Boroughs

Appendix 1

Commercial Development Appraisal

Use Class:	Offices

DEVELOPMENT VALUE			
Rental Income	**Area sq m**	**£ per sq m**	**£ per annum**
Estimated Rental Value (NIA)	1,858	150.00	£278,700
Total Rental Income			£278,700
Rent free/voids (years)	2	0.8653	£241,159
Total revenue, capitialised (incl all costs)		7.5%	£3,215,455
Gross Development Value			**£3,215,455**
Less Purchaser's Costs	**5.75%**	**£184,889**	**£3,030,566**

Surplus to fund CIL - sensitivity

Rent/sqm	£140.00	£150.00	£160.00
Yield			
7.00%	-£1,592,736	-£1,357,462	-£1,122,189
7.50%	-£1,814,663	-£1,595,241	-£1,375,819
8.00%	-£2,008,849	-£1,803,298	-£1,597,746
8.50%	-£2,180,190	-£1,986,877	-£1,793,564

DEVELOPMENT COSTS			
	Area	**£ per sq m**	**Total**
Demolition /Enabling Costs	1,022	£53	£54,166
Building Costs		£1,324	£2,706,256
Gross Internal Floor Area	2,044		
		%	
External Works		1.50%	£40,594
Contingency		5%	£135,313
Total			£2,936,329
Professional Fees		10%	£293,633
Community Infrastructure Levy		0	£0
Total			**£3,229,962**
Disposal Costs			
		%	**Total**
Letting Agent's Fee (% of Rent)		10%	£27,870
Agent's Fees (on capital value)		1%	£32,155
Legal Fees (% of capital value)		0.75%	£24,116
Total			**£84,140**
Interest on Finance			
	Months	**%**	**Total**
Total Development duration	12		
Loan arrangement fee		1%	£32,299.62
Interest on Construction Costs		7.0%	£226,097
Total			**£258,397**
Profit			
		%	**Total**
loper's Profit on Total Development Costs		20%	£714,500
Total Development Costs			**£4,286,999**

LAND VALUE		
	%	**Total**
Land Surplus/Deficit		-1,256,433
Stamp Duty	4%	-50,257
Agent's Fees	1.25%	-15,705
Legal Fees	0.50%	-6,282
Sub-total		-72,245
Interest on land finance	7.00%	-82,893
Total		**-155,138**
RESIDUAL LAND VALUE		**-1,411,571**

Existing Site Value				
	%			
Assumes existing space is % of new	50%	929		
Rent per sqm		£54.00		
Rental income per annum		£50,166		
Rent free/voids (years)		3	0.7938	£39,822
Total revenue, capitalised (incl all costs)			9%	£442,464
Refurbishment costs (per sqm)		£270	£250,830	
Fees		7%	£17,558	
Total			**£268,388**	
Purchaser's Costs		4.75%	£21,017	
Total Costs			**£289,405**	
Existing Site Value				**£153,059**

Site Value incl Landowner Premium	20%	£30,612	£183,671
Surplus available to fund CIL			**-£1,595,241**

Appendix 2

Commercial Development Appraisal

Use Class:	Industrial

DEVELOPMENT VALUE

Rental Income	Area sq m	£ per sq m	£ per annum
Estimated Rental Value	2,322	£59.00	£136,998
Total Rental Income			£136,998
Rent free/voids (years)	2	0.8417	£115,311
Total revenue, capitialised (incl all costs)		8.0%	£1,441,390
Gross Development Value			**£1,441,390**
Less Purchaser's Costs	**5.75%**	**£82,880**	**£1,358,510**

DEVELOPMENT COSTS

	Area	£ per sq m	Total
Demolition/Enabling Costs	1,161	£54	£62,694
Building Costs		£560	£1,365,336
Gross External Floor Area	2,438		
Contingency		5%	£68,267
External Works		1.50%	£20,480
Total			£1,516,777
Professional Fees (%)		7%	£106,174
Community Infrastructure Levy		£0	£0
Total			**£1,622,951**
Disposal Costs		**%**	**Total**
Letting Agent's Fee (% of Rent)		10%	£13,700
Agent's Fees (on capital value)		1%	£14,414
Legal Fees (% of capital value)		0.75%	£10,810
Total			**£38,924**
Interest on Finance	**Months**	**%**	**Total**
Total Development duration	12		
Loan arrangement fee		1%	£16,230
Interest on Construction Costs		7.0%	£116,331
Total			**£132,561**
Profit		**%**	**Total**
eloper's Profit on Total Development Cost		20%	£358,887
Total Development Costs			**£2,153,323**

LAND VALUE

	%	Total
Land Surplus		-794,813
Stamp Duty	4%	-31,793
Agent's Fees	1.25%	-9,935
Legal Fees	0.50%	-3,974
Total		-45,702
Interest on land finance	7.00%	-52,438
Total		**-98,140**
RESIDUAL LAND VALUE		**-892,953**

Existing Site Value	**%**			
Assumes existing space is % of new	50%	1,161		
Rent per sqm		£38		
Rental income per annum		£44,118		
Rent free/voids (years)		3	0.7938	£35,021
Total revenue, capitalised (incl all costs)			10%	£350,209
Refurbishment costs (per sqm)		£150	£174,150	
Fees		7%	£12,191	
Total			**£186,341**	
Purchaser's Costs		5.75%	£20,137	
Total Costs			**£206,477**	
Existing Site Value				**£143,731**

Site Value incl Landowner Premium	20%	£28,746	£172,477
Surplus available to fund CIL			**-£1,065,430**

Surplus to fund CIL - sensitivity

Rent/sqm	£49.00	£59.00	£69.00
Yield			
7.5%	-£1,232,110	-£966,106	-£700,101
8.0%	-£1,314,600	-£1,065,430	-£816,260
8.5%	-£1,387,385	-£1,153,069	-£918,753
9.0%	-£1,452,083	-£1,230,971	-£1,009,858

Appendix 3

Commercial Development Appraisal

Use Class:	Comparison Retailing

DEVELOPMENT VALUE			
Rental Income	**Area sq m**	**£ per sq m**	**£ per annum**
Rent - area x £ per sq m	186	323	£60,078
Total Rental Income			£60,078
Rent free/voids (years)	2	0.873	£52,448
Total revenue, capitialised (incl all costs)		7.0%	£749,258
Gross Development Value			**£749,258**
Less Purchaser's Costs	**5.75%**	**£43,082**	**£706,176**

DEVELOPMENT COSTS			
	Area	**£ per sq m**	**Total**
Demolition/Enabling Costs	93	£75	£6,975
Building Costs		£794	£147,684
Area	186		
Contingency		5%	£7,384
External Works		5%	£7,384
Total			£169,427
Professional Fees		10%	£16,943
Community Infrastructure Levy		0	£0
Total			**£186,370**
Disposal Costs			
		%	**Total**
Letting Agent's Fee (% of Rent)		10%	£6,008
Agent's Fees (on capital value)		1%	£7,493
Legal Fees (% of capital value)		0.75%	£5,619
Total			**£19,120**
Interest on Finance			
	Months	**%**	**Total**
Total Development duration	12		
Loan arrangement fee		1%	£1,864
Interest on Construction Costs		7.0%	£14,384
Total			**£16,248**
Profit			
		%	**Total**
eloper's Profit on Total Development Cost		25%	£55,434
Total Development Costs			**£277,172**

Surplus to fund CIL - sensitivity

Rent/sqm	£313.00	£323.00	£333.00
Yield			
6.50%	£301,854	£323,245	£344,635
7.00%	£253,538	£273,385	£293,232
7.50%	£211,664	£230,173	£248,682
8.00%	£175,024	£182,363	£209,701

LAND VALUE		
	%	**Total**
Land Surplus		£429,004
Stamp Duty	3%	£12,870
Agent's Fees	1.25%	£5,363
Legal Fees	0.50%	£2,145
Total		£20,378
Interest on land finance	7.00%	£28,604
Total		**£48,981**
RESIDUAL LAND VALUE		**£380,022**

Existing Site Value				
	%			
Assumes existing space is % of new	50%	93		
Rent per sqm		£162		
Rental income per annum		£15,066		
Rent free/voids (years)		3	0.7938	£11,959
Total revenue, capitalised (incl all costs)			8.50%	£140,699
Refurbishment costs (per sqm)		£120	£11,160	
Fees		7%	£781	
Total			**£11,941**	
Purchaser's Costs		5.75%	£8,090	
Total Costs			**£20,031**	
Existing Site Value				**£120,667**

Site Value incl Landowner Premium	20%	£24,133	£144,801
Surplus available to fund CIL			**£235,221**

Appendix 4

Commercial Development Appraisal

Use Class:	Retail Warehouse

DEVELOPMENT VALUE			
Rental Income	**GIA sqm**	**£ per sqm**	**£ per annum**
Rent	1,858	162	£300,996
Total Rental Income	1,858		£300,996
Rent free/voids (years)	2	0.873	£262,770
Total revenue, capitialised (incl all costs)		7.00%	£3,753,850
Gross Development Value			**£3,753,850**
Less Purchaser's Costs	**5.75%**	**£215,846**	**£3,538,004**

DEVELOPMENT COSTS			
	Area	**£ per sq m**	**Total**
Demolition Costs	930	£54	£50,220
Building Costs		£570	£1,059,060
Area	1,858		
Contingency		5%	£52,953
External Works		1.50%	£15,886
Total			£1,178,119
Professional Fees		10%	£117,812
Planning Costs		10%	£117,812
Community Infrastructure Levy		60	£111,480
Total			**£1,525,223**
Disposal Costs			
		%	**Total**
Letting Agent's Fee (% of Rent)		10%	£30,100
Agent's Fees (on capital value)		1%	£37,539
Legal Fees (% of capital value)		0.75%	£28,154
Total			**£95,792**
Interest on Finance			
	Months	**%**	**Total**
Total Development duration	18		
Loan arrangement fee		1%	£15,252.23
Interest on Construction Costs		7.0%	£113,471
Total			**£128,723**
Profit			
		%	**Total**
oper's Profit on Total Development Costs		20%	£349,948
Total Development Costs			**£2,099,685**

LAND VALUE		
	%	**Total**
Land Surplus		£1,438,318
Stamp Duty	4%	£57,533
Agent's Fees	1.25%	£17,979
Legal Fees	0.50%	£7,192
Total		**£82,703**
Interest on land finance	7.00%	£94,893
Total		**£177,596**
RESIDUAL LAND VALUE		**£1,260,722**

Existing Site Value				
	%			
Assumes existing space is % of new	50%	929		
Rent per sqm		£86		
Rental income per annum		£79,894		
Rent free/voids (years)		3	0.772	£61,678
Total revenue, capitalised (incl all costs)			8.00%	£770,977
Refurbishment costs (per sqm)		£215	£199,735	
Fees		7%	£13,981	
Total			£213,716	
Purchaser's Costs		5.75%	£44,331	
Total Costs			£258,048	
Existing Site Value				**£512,929**

Site Value incl Landowner Premium	20%	£102,586	£615,515
Surplus available to fund CIL			**£645,207**

Surplus to fund CIL - sensitivity

Rent/sqm	**£152.00**	**£162.00**	**£172.00**
Yield			
6.75%	£876,360	£1,080,166	£1,283,972
7.00%	£764,587	£961,040	£1,157,493
7.25%	£660,523	£871,474	£1,039,736
7.50%	£563,396	£850,129	£929,829

Appendix 5

Commercial Development Appraisal

Use Class:	Supermarket

DEVELOPMENT VALUE			
Rental Income	**Area sq m**	**£ per sq m**	**£ per annum**
Rent - (GIA)	2,787	162	£451,494
Total Rental Income	2,787		£451,494
Rent free/voids (years)	1	0.948	£428,016
Total revenue, capitialised (incl all costs)		5.50%	£7,782,115
Gross Development Value			**£7,782,115**
Less Purchaser's Costs	**5.75%**	**£447,472**	**£7,334,643**

Surplus to fund CIL - sensitivity

Rent/sqm	£152.00	£162.00	£172.00
Yield			
5.00%	£1,136,921	£1,586,546	£2,036,172
5.25%	£809,208	£1,237,273	£1,665,338
5.50%	£511,287	£919,752	£1,328,217
5.75%	£239,272	£629,841	£1,020,410
6.00%	-£10,075	£364,090	£738,255

DEVELOPMENT COSTS			
	Area	**£ per sq m**	**Total**
Demolition/Enabling Costs	1,394	£54	£75,249
Building Costs		£1,109	£3,090,783
Area	2,787		
Contingency		5%	£154,539
External Works		5%	£154,539
Total			£3,475,110
Professional Fees		10%	£347,511
Planning costs		10%	£347,511
Community Infrastructure Levy		60	£167,220
Total			**£4,337,352**
Disposal Costs			
		%	**Total**
Letting Agent's Fee (% of Rent)		10%	£45,149
Agent's Fees (on capital value)		1%	£77,821
Legal Fees (% of capital value)		0.75%	£58,366
Total			**£181,336**
Interest on Finance			
	Months	**%**	**Total**
Total Development duration	12		
Loan arrangement fee		1%	£43,373.52
Interest on Construction Costs		7.0%	£316,308
Total			**£359,682**
Profit			
		%	**Total**
eloper's Profit on Total Development Cost		20%	£975,674
Total Development Costs			**£5,854,045**

LAND VALUE		
	%	**Total**
Land Surplus		£1,480,599
Stamp Duty	4%	£59,224
Agent's Fees	1.25%	£18,507
Legal Fees	0.50%	£7,403
Total		£85,134
Interest on land finance	7.00%	£97,682
Total		**£182,817**
RESIDUAL LAND VALUE		**£1,297,782**

Existing Site Value				
	%			
Assumes existing space is % of new	50%	1,394		
Rent per sqm		£86		
Rental income per annum		£119,841		
Rent free/voids (years)		3	0.7938	£95,130
Total revenue, capitalised (incl all costs)			8.00%	£1,189,122
Refurbishment costs (per sqm)		£215	£299,603	
Fees		7%	£20,972	
Total			**£320,575**	
Purchaser's Costs		5.75%	£68,375	
Total Costs			**£388,949**	
Existing Site Value				**£800,173**

Site Value incl Landowner Premium	20%	£160,035	£960,208
Surplus available to fund CIL			**£337,574**

Appendix 6

Commercial Development Appraisal

Use Class:	Convenience Store

DEVELOPMENT VALUE			
Rental Income	**Area sqm**	**£ per sq m**	**£ per annum**
Gross internal area x rent per sq m	280	£145.00	£40,600
Total Rental Income			£40,600
Rent free/voids (years)	2	0.876	£35,566
Total revenue, capitialised (incl all costs)		6.75%	£526,898
Gross Development Value			**£526,898**
Less Purchaser's Costs	**5.75%**	**£30,297**	**£496,601**

DEVELOPMENT COSTS			
	Area	**£ per sq m**	**Total**
Demolition/Enabling Costs	140	£54	£7,560
Building Costs		£794	£222,320
Area	280		
Contingency		5%	£11,116
External Works		5%	£11,116
Total			£252,112
Professional Fees		10%	£25,211
Community Infrastructure Levy		0	£0
Total			**£277,323**
Disposal Costs			
		%	**Total**
Letting Agent's Fee (% of Rent)		10%	£4,060
Agent's Fees (on capital value)		1%	£5,269
Legal Fees (% of capital value)		0.75%	£3,952
Total			**£13,281**
Interest on Finance			
	Months	**%**	**Total**
Total Development duration	12		
Loan arrangement fee		1%	£2,773.23
Interest on Construction Costs		7.0%	£20,342
Total			**£23,116**
Profit			
		%	**Total**
eloper's Profit on Total Development Cost		20%	£62,744
Total Development Costs			**£376,463**

LAND VALUE		
	%	**Total**
Land Surplus		£120,138
Stamp Duty	1%	£1,201
Agent's Fees	2.00%	£2,403
Legal Fees	3.00%	£3,604
Total		£7,208
Interest on land finance	7.00%	£7,905
Total		**£15,113**
RESIDUAL LAND VALUE		**£105,025**

Existing Site Value				
	%			
Assumes existing space is % of new	50%	140		
Rent per sqm		£120		
Rental income per annum		£16,800		
Rent free/voids (years)		3	0.7938	£13,336
Total revenue, capitalised (incl all costs)			10%	£133,358
Refurbishment costs (per sqm)		£120	£16,800	
Fees		7%	£1,176	
Total			**£17,976**	
Purchaser's Costs		5.75%	£7,668	
Total Costs			**£25,644**	
Existing Site Value				**£107,714**

Site Value incl Landowner Premium	20%	£21,543	£129,257
Surplus available to fund CIL			**-£24,233**

Surplus to fund CIL - sensitivity

Rent/sqm	£135.00	£145.00	£155.00
Yield			
6.50%	-£12,362	£19,571	£51,503
6.75%	-£28,486	£2,253	£32,991
7.00%	-£43,458	-£13,828	£15,801
7.25%	-£57,397	-£28,800	-£203

Commercial Development Appraisal

Use Class:	Hotel

DEVELOPMENT VALUE				
Capital Value				
		Area sq m	**£**	
		2,044		
No of Rooms	100			
Capital value per room			£70,000	
Total Capital Value				£7,000,000.00
Gross Development Value				**£7,000,000**
Less Purchaser's Costs		**5.75%**	**£402,500**	**£6,597,500**

DEVELOPMENT COSTS			
	Area	**£ per sq m**	**Total**
Demolition/Enabling Costs	1,022	£53	£54,166
Building Costs		£1,302	£2,661,288
Area	2,044		
Contingency		5%	£133,064
External Works		1.50%	£39,919
Fit out costs (per room)	£7,500		£750,000
Total			£3,638,438
Professional Fees		10%	£363,844
Community Infrastructure Levy		0	£0
Total			**£4,002,281**
Disposal Costs			
		%	**Total**
Letting Agent's Fee (% of Rent)		0%	-
Agent's Fees (on capital value)		1%	£70,000
Legal Fees (% of capital value)		0.75%	£52,500
Total			**£122,500**
Interest on Finance			
	Months	**%**	**Total**
Total Development duration	24		
Loan arrangement fee		1%	£40,023
Interest on Construction Costs		7.0%	£288,735
Total			**£328,758**
Profit			
		%	**Total**
eloper's Profit on Total Development Cost		20%	£890,708
Total Development Costs			**£5,344,247**

LAND VALUE		
	%	**Total**
Land Surplus		£1,253,253
Stamp Duty	4%	£50,130
Agent's Fees	1.25%	£15,666
Legal Fees	0.50%	£6,266
Total		**£72,062**
Interest on land finance	7.00%	£82,683
Total		**£154,745**
RESIDUAL LAND VALUE		**£1,098,508**

Existing Site Value				
	%			
Assumes existing space is % of new	50%	1,022		
Rent per sqm		£54		
Rental income per annum		£55,188		
Rent free/voids (years)		3	0.7938	£43,808
Total revenue, capitalised			8%	£547,603
(incl all costs)				
Refurbishment costs (per sqm)		£270	£275,940	
Fees		7%	£19,316	
Total			**£295,256**	
Purchaser's Costs		5.75%	£31,487	
			£326,743	
Existing Site Value				**£220,860**

Site Value incl Landowner Premium	20%	£44,172	£265,032
Surplus available to fund CIL			**£833,476**

Surplus to fund CIL - sensitivity

Capital value per room	£65,000	£70,000	£75,000	£80,000
Build Costs				
£1,202	£158,215	£586,630	£1,015,044	£1,443,459
£1,302	-£113,800	£314,615	£743,030	£1,171,444
£1,402	-£385,815	£42,600	£471,015	£899,430
£1,502	-£657,829	-£229,415	£199,000	£627,415

Commercial Development Appraisal

Use Class:	Care Home

DEVELOPMENT VALUE				
Capital Value				
		Area sq m	**£**	
		2,550		
No of Rooms	60			
Capital value per room			£90,000	
Total Capital Value				£5,400,000.00
Gross Development Value				**£5,400,000**
Less Purchaser's Costs		**5.75%**	**£310,500**	**£5,089,500**

DEVELOPMENT COSTS			
	Area	**£ per sq m**	**Total**
Demolition Costs	1,500	£53	£79,500
Building Costs		£1,302	£3,906,000
Area	3,000		
Contingency		5%	£195,300
External Works		3.00%	£117,180
Professional Fees		10%	£398,550
Community Infrastructure Levy		0	£0
Total			**£4,696,530**
Disposal Costs			
		%	**Total**
Agent's Fees (on capital value)		1%	£54,000
Legal Fees (% of capital value)		0.75%	£40,500
Marketing		1.00%	£46,170
Total			**£94,500**
Interest on Finance			
	Months	**%**	**Total**
Total Development duration	24		
Loan arrangement fee		1%	£46,965
Interest on Construction Costs		7.0%	£335,372
Total			**£382,337**
Profit			
		%	**Total**
eloper's Profit on Total Development Cost		25%	£1,293,342
Total Development Costs			**£6,466,709**

LAND VALUE		
	%	**Total**
Land Surplus		-£1,066,709
Stamp Duty	4%	-£42,668
Agent's Fees	1.25%	-£13,334
Legal Fees	0.50%	-£5,334
Total		**-£61,336**
Interest on land finance	7.00%	-£70,376
Total		**-£131,712**
RESIDUAL LAND VALUE		**-£1,198,421**

Existing Site Value				
	%			
Assumes existing space is % of new	50%	1,500		
Rent per sqm		£85		
Rental income per annum		£127,500		
Rent free/voids (years)		3	0.7938	£101,210
Total revenue, capitalised			9%	£1,124,550
(incl all costs)				
Refurbishment costs (per sqm)		£270	£405,000	
Fees		7%	£28,350	
Total			**£433,350**	
Purchaser's Costs		5.75%	£64,662	
			£498,012	
Existing Site Value				**£626,538**

Site Value incl Landowner Premium	20%	£125,308	£751,846
Surplus available to fund CIL			**-£1,950,267**

Surplus to fund CIL - sensitivity

Capital value per room	£80,000	£90,000	£100,000
Build Costs			
£1,202	-£2,071,666	-£1,413,359	-£755,051
£1,302	-£2,608,574	-£1,950,267	-£1,291,960
£1,402	-£3,145,483	-£2,487,176	-£1,828,869
£1,502	-£3,682,392	-£3,024,085	-£2,365,777

Appendix 9

Commercial Development Appraisal

Use Class:	Heath & Fitness Gym

DEVELOPMENT VALUE			
Rental Income	**Area sq m**	**£ per sq m**	**£ per annum**
Estimated Rental Value	2,322	£70.00	£162,540
Total Rental Income			£162,540
Rent free/voids (years)	2	0.8417	£136,810
Total revenue, capitialised (incl all costs)		7.75%	£1,765,289
Gross Development Value			**£1,765,289**
Less Purchaser's Costs	**5.75%**	**£101,504**	**£1,663,785**

Surplus to fund CIL - sensitivity

Rent/sqm	£65.00	£70.00	£75.00
Yield			
7.50%	-£694,994	-£553,757	-£412,155
7.75%	-£755,001	-£618,198	-£481,394
8.00%	-£811,258	-£678,782	-£546,306
8.25%	-£864,105	-£735,695	-£607,284

DEVELOPMENT COSTS			
	Area	**£ per sq m**	**Total**
Demolition/Enabling Costs	1,161	£54	£62,694
Building Costs		£560	£1,365,336
Gross External Floor Area	2,438		
Contingency		5%	£68,267
External Works		1.50%	£20,480
Professional Fees (%)		7%	£104,741
Community Infrastructure Levy		£0	£0
Total			**£1,621,518**
Disposal Costs			
		%	**Total**
Letting Agent's Fee (% of Rent)		10%	£16,254
Agent's Fees (on capital value)		1%	£17,653
Legal Fees (% of capital value)		0.75%	£13,240
Total			**£47,147**
Interest on Finance			
	Months	**%**	**Total**
Total Development duration	12		
Loan arrangement fee		1%	£16,215
Interest on Construction Costs		7.0%	£116,806
Total			**£133,022**
Profit			
		%	**Total**
eloper's Profit on Total Development Cost		20%	£360,337
Total Development Costs			**£2,162,023**

LAND VALUE		
	%	**Total**
Land Surplus		-396,734
Stamp Duty	4%	-15,869
Agent's Fees	1.25%	-4,959
Legal Fees	0.50%	-1,984
Total		-22,812
Interest on land finance	7.00%	-26,175
Total		**-48,987**
RESIDUAL LAND VALUE		**-445,720**

Existing Site Value				
	%			
Assumes existing space is % of new	50%	1,161		
Rent per sqm		£38		
Rental income per annum		£44,118		
Rent free/voids (years)		3	0.7938	£35,021
Total revenue, capitalised (incl all costs)			10%	£350,209
Refurbishment costs (per sqm)		£150	£174,150	
Fees		7%	£12,191	
Total			**£186,341**	
Purchaser's Costs		5.75%	£20,137	
Total Costs			**£206,477**	
Existing Site Value				**£143,731**

Site Value incl Landowner Premium	20%	£28,746	£172,477
Surplus available to fund CIL			**-£618,198**

Appendix 10

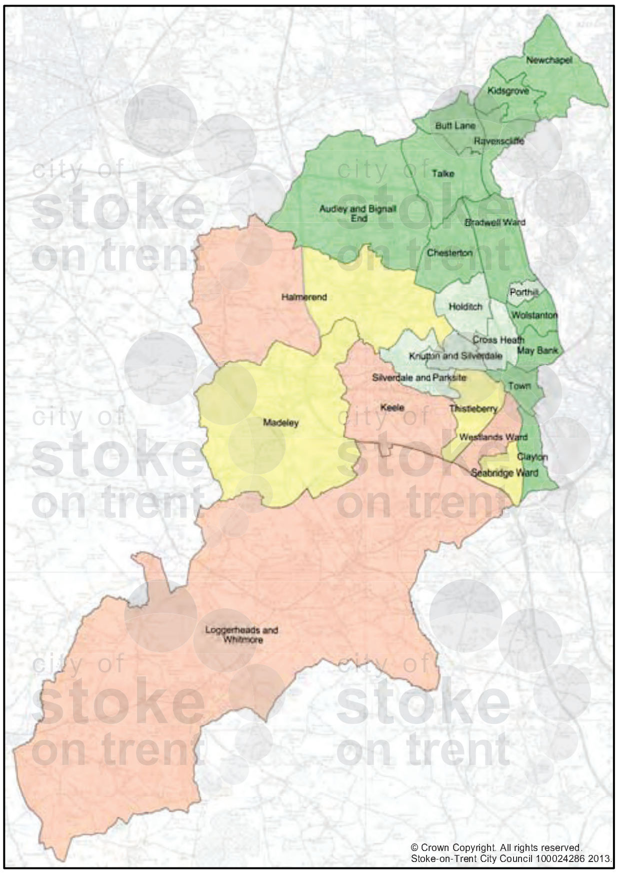
Community Infrastructure Levy – Preliminary Draft Charging Schedule

Stoke-on-Trent City Council and Newcastle-under-Lyme Borough Council are both 'charging authorities' for the purposes of Part 11 of the Planning Act 2008 and may therefore charge the Community Infrastructure Levy in respect of development in the City and Borough.

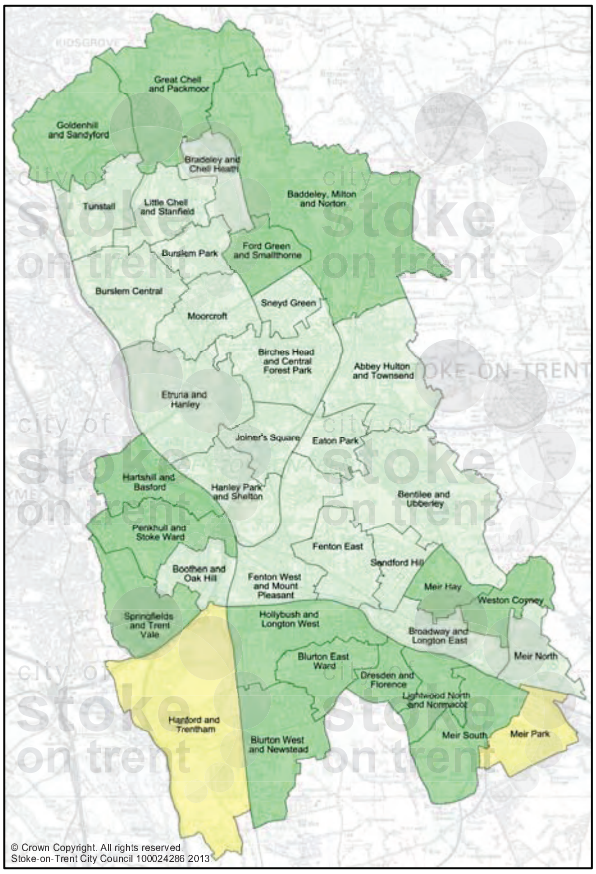
Eligible developments for the following uses will be charged:-

Residential Rates C3	
Zone 1	£0 per sq. m
Zone 2	£20 per sq. m
Zone 3	£50 per sq. m
Zone 4	£80 per sq. m

Retail Rates (A1-A5)	
District Wide	£100 per sq. m



Newcastle-under-Lyme Residential Zones



Stoke-on-Trent Residential Zones

Zone 1	Zone 2	Zone 3	Zone 5
Very Low	Low	Medium	High

Shropshire Draft Charging Schedule

The Shropshire Community Infrastructure Levy provides for developer contributions towards infrastructure as part of an integrated development strategy, set out in the Shropshire Local Development Framework, for delivering sustainable development that is accompanied by adequate infrastructure. The Charging Schedule sets out the Levy for different types and locations of development.

It has been prepared in accordance with the Planning Act 2008 and the Community Infrastructure Levy Regulations[1] and is informed by local evidence regarding infrastructure requirements and the impact of a Levy on the economic viability of development, full details of which are available on Shropshire Council's website.

Accompanying guidance is provided in the Charging Schedule Accompanying Notes and in the Developer Contributions Supplementary Planning Document.

Table 1: Levy rates per square metre of development

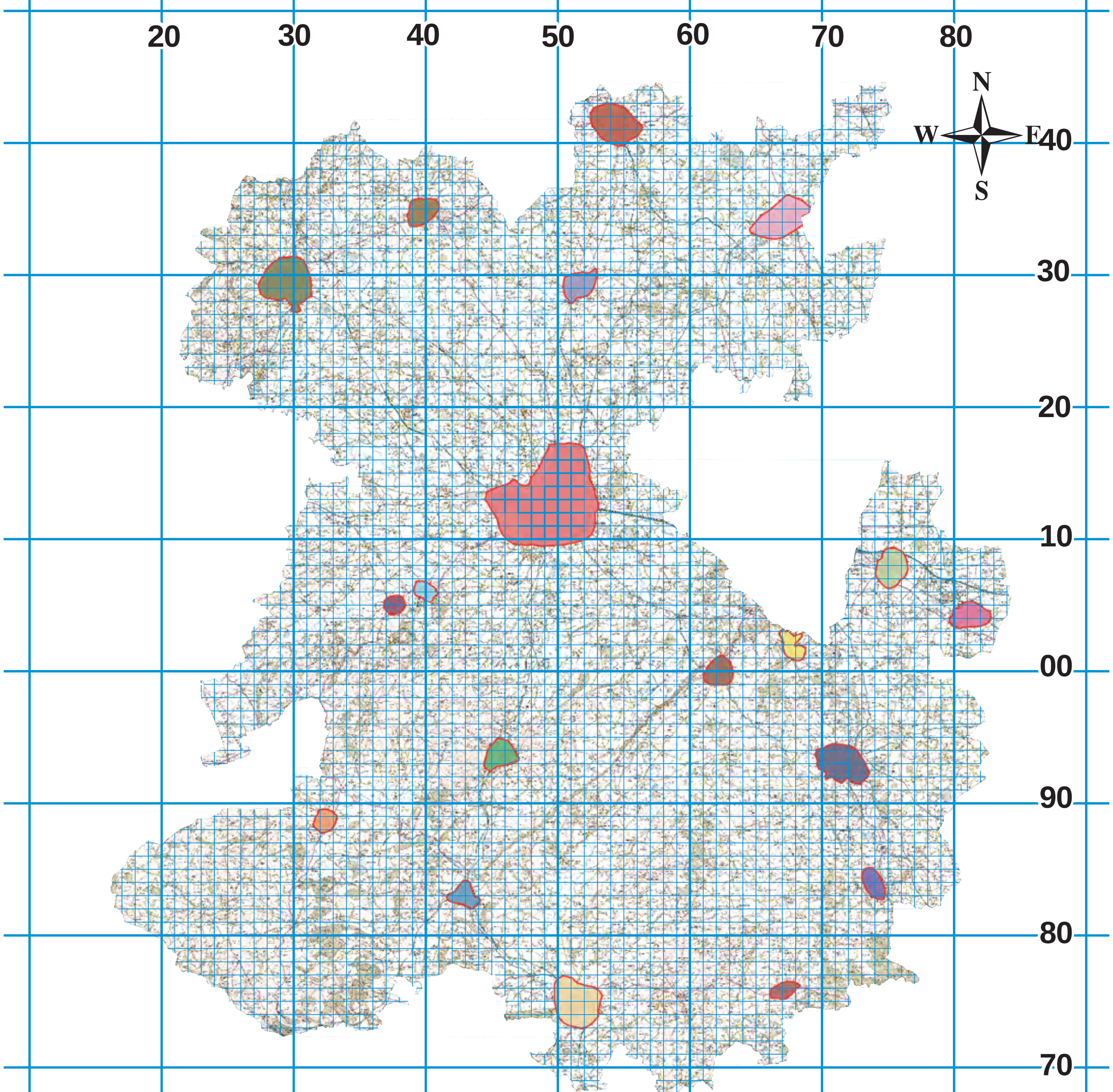
Type of development	Shrewsbury, the market towns and other key centres	Rural – rest of Shropshire
Residential development (use class C3) *excluding affordable housing as defined below*	£40 per m2	£80 per m2
Affordable housing that meets the Council's definition of affordable dwellings[1] and occupational dwellings that will default to affordable housing[2]	nil	nil
Employment, commercial and retail development (use classes A1-A5 and B1-B8) Hotels, residential institutions, assembly & leisure (use classes C1, C2, D1, D2) Agricultural development Sui generis land uses	nil	nil

[1] The Council's definition of "affordable dwellings" is contained in Appendix G of the Type and Affordability of Housing Supplementary Planning Document (March 2011). The definition includes homes built under the Shropshire "Build Your Own Affordable Home" single plot exception scheme, and other types of affordable housing.

[2] Dwellings with an occupational restriction that also have a legal agreement that provides for the dwelling to revert to affordable housing in the event of the occupational restriction being lifted. Such provisions will normally apply to new

[1] Community Infrastructure Levy Regulations 2010 (Statutory Instrument 2010 No. 948) as amended by the Community Infrastructure Levy (Amendment) Regulations 2011

Approved Shropshire CIL Charging Shedule November 2011



Legend

Towns and Key Centres Charging Zone

- Albrighton
- Bishop's Castle
- Bridgnorth
- Broseley
- Church Stretton
- Cleobury Mortimer
- Craven Arms
- Ellesmere
- Highley
- Ludlow
- Market Drayton
- Minsterley
- Much Wenlock
- Oswestry
- Pontesbury
- Shifnal
- Shrewsbury
- Wem
- Whitchurch

Areas outside the defined Towns and Key Centres Charging Zone are defined as the 'Rural - Rest of Shropshire' Charging Zone

5 Preliminary Draft Charging Rates

Proposed CIL rate per m2	Less than 25% affordable	25% or more affordable
Zone 1	£50	£0
Zone 2	£225	£125
Zone 3	£20	£0

Table 2 Residential: Preliminary Draft CIL Charges *

* Includes 5% CIL Administration Costs

Question 2

Do you agree with separate charging zones and the CIL rates for residential developments based on these zones?

Proposed CIL rate per m2	Dudley Town Centre	Merry Hill	Remaining Areas
Convenience Retail	£140	£340	£190
Comparison Retail	£140	£340	£140
Public House & Restaurant & Hot Food Takeaways	£210	£210	£210

Table 3 Retail: Preliminary Draft CIL Charges *

* Includes 5% CIL Administration Costs

Question 3

Do you agree that the proposed differential rates for retail use based on different types of retail and scale are appropriate?

Birmingham City Council – Community Infrastructure Levy.

Preliminary Draft Charging Schedule.

Charges are expressed as £ per square metre.

Maximum CIL Tariff (Per Sq M)	Type of Development
BAND 1.	
£380	• Retail (Supermarket) >5,000 sq m
BAND 2.	
£150	• Retail (Supermarket <5,000 sq m) • All other retail
BAND 3.	
£115	• Residential (Value Zones 1, 2 & 3) • Student Housing
BAND 4.	
£55	• Residential (Value Zones 4,5,6 & 7) • City Centre Core Office
BAND 5.	
£45	• City Centre Hotel
BAND 6.	
£35	• Leisure
BAND 7.	
£25	• City Centre Fringe Office • Out of City Centre Hotel
BAND 8.	
£15	• All other Office
BAND 9.	
Nil CIL	• Industrial • Education • Health

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