Type text here

Winchester City Council

Non-Residential CIL Viability Study

Final Report

November 2012

ADAMS INTEGRA

Adams Integra
St John's House
St John's Street
Chichester
West Sussex
PO19 1UU

T: 01243 771304
F: 01243 779993
E: enquiries@adamsintegra.co.uk
W: www.adamsintegra.co.uk

Contents

	Initial Findings	**4**
1.	**Introduction**	**4**
2.	**Methodology**	**5**
3.	**Policy Context**	**6**
4.	**Threshold Values**	**7**
5.	**State of the Market**	**8**
6.	**Yields**	**9**
7.	**Different Charging Zones**	**9**
8.	**Development Inputs**	**10**
9.	**Development Types**	**10**
	Retail	10
	Business Uses	13
	Hotels	13
	Student Housing	13
	Uses within Class C2	13
	Community Uses	14
10.	**Understanding the Viability Appraisal**	**14**
11.	**Conclusion**	**16**

<u>Appendices</u>

Appendix 1 - Office Appraisal

Appendix 2 - Hotel Appraisal

Appendix 3 - Winchester City Comparison Retail Appraisal

Appendix 4– Convenience Store Appraisal

Appendix 5 – Retail warehouse Appraisal

Appendix 6 - Supermarket Appraisal

Appendix 7 - Industrial and Warehousing Appraisal

Appendix 8 - Student Accommodation Appraisal

Appendix 9 - Table of Appraisal Results and Graph Showing Surplus Available to Fund CIL

Appendix 10 - Neighbouring Authorities Draft Charging Schedules

Appendix 11 - Winchester Town Centre map

Appendix 12 - Table showing comparison of proposed charges to neighbouring authorities

Initial Findings

1. Introduction

Adams Integra has been asked by Winchester City Council [WCC] 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.

WCC's intention is to introduce a CIL by mid 2013. The National Parks Authority [NPA] is also looking to introduce a CIL charging schedule for that area of the district that falls within the South Downs National Park [SDNP] at the same time.

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). WCC and the NPA, as charging authorities, 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.

For the non-residential land use element of this study there are a number of different smaller sectors where the market uses a different basis of valuation. We have been tasked to look 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:

- Retail - Classes A1-A5
- Offices - Class B1a
- Industrial - Class B1b and c, B2 and B8
- Hotels - Class C1
- Residential Care/Nursing homes - Class C2
- Residential Student Accommodation - Sui Generis
- Community Facilities - Class D1
- Leisure – Class D2

2. Methodology

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. As the Guidance Notes recommend we have used appropriate and available evidence.

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.

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 guidelines, it is essential that proposed CIL levels allow sufficient margins for these variations and:

Charging authorities will need to strike an appropriate 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 their area. Charging authorities should prepare evidence about the effect of the levy on economic viability in their area to demonstrate to an independent examiner that their proposed rates, for the levy, strike an appropriate balance.
[Community Infrastructure Levy-An Overview- Department for Communities and Local Government- May 2011]

3. Policy Context

The study is specific to the Winchester area and reflects the policy requirements set out in the various strategy documents including the Winchester District Economic Strategy 2010-2020 and the Winchester District Local Plan Part 1 Joint Core Strategy (under examination). We have taken into consideration the findings of the various evidence reports including DTZ's Review of Employment Prospects, Employment Land and Demographic Projections 2011 and the Nathaniel Lichfield Retail and Town Centre Uses Study 2010 . We have also taken into consideration the findings of the Winchester City Council Annual Monitoring Report December 2011.

The New Major Development Areas at Whiteley, West of Waterlooville and Barton Farm have been covered by the residential section in this report. Only West of Waterlooville Strategic Allocation has a substantial element allocated for employment and non-residential uses. Those schemes where a planning consent has not already been granted may be subject to CIL charging.

We have considered the Denmead area where the Parish Council have elected to adopt a Neighbourhood Plan and the possible impact of CIL charges on non-residential development viability.

It is clear that the majority of the prime development has taken place around the city and close to the M3 and M27 corridors. These areas around the best infrastructure such as motorway junctions, will generally attract the most interest from occupiers for logistical and catchment reasons. Consequently these areas are most likely to attract new development.

The more rural areas and those with less infrastructure favour less well with employers and occupiers. Therefore the development of new employment generating property in these outlying areas needs to be encouraged more.

We have also taken into consideration new or windfall sites and those smaller opportunities that may be 'brownfield', replacement development and changes of use.

We have also taken into consideration the CIL Charging schedules being proposed by all of the neighbouring local authorities. At the date of this report of the following authorities:

- East Hampshire District Council
- Havant Borough Council
- Portsmouth City Council
- Fareham Borough Council
- Eastleigh Borough Council
- Test Valley Borough Council

- Basingstoke & Deane Council

Only Portsmouth, Havant and Fareham have issued draft charging schedules for consultation. These are summarised in the Conclusion table at the end of this report. Portsmouth City Council's schedule has now been examined and the Inspector has recommended it for approval without any amendments.

It is important to take into consideration the impact of neighbouring CIL charges on the prospects for future development. Disparity across district borders is likely to have an effect on the viability and hence the likelihood of commercial development from one district 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 where no CIL charge is being made. Therefore we recommend that the charging schedules of neighbouring councils are closely monitored.

4. Threshold Values

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:

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

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.

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 same 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.

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.

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

5. State of the Market

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.

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 bank's 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.

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.

By its very nature the development market will always be creative and will find alternative sources of finance such as overseas funds. 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.

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 were instructed to test on inflated and deflated costs and values and the sensitivity to different CIL charge rates. It is recommended that the schedule is reviewed five-yearly to allow sufficient time for developers to budget accordingly and being an appropriate amount of time to lapse to be able to identify changes in values.

6. Yields

To understand the basis of the residual appraisal technique 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 to multiply the net rental income to produce a capital value. The figure used for the yield is drawn from a combination of the valuers experience in considering such factors as the state of the market, likely prospects for rental growth, the covenant strength of the tenant, the use category, the quality of the building and location, lease terms and any other factors relevant to a purchaser wanting to buy the completed development.

The lower the yield the more times the rent is multiplied and the higher the value. 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.

7. Different Charging Zones

From our research it is clear that Winchester and the motorway corridors command the highest commercial property values in the District. The South Downs National Park affects the areas to the east of Winchester and the M3 such as Chilcomb and the Meon Valley. Also areas around the north of Bishopstoke and Bishops Waltham fall within the Park's boundary. However, by its very nature much of the area falling within the Park is rural.

We have also taken in account Examiners' recommendations for clarity and simplicity in the published charging schedule. We highlight feedback from Shropshire Council who found that differential rates created "a perception of unfairness, political fallout from treating areas differently and difficulty justifying on economic grounds". By way of comparison we also point to the London Borough of Redbridge which was nominated as a CIL 'Frontrunner' in 2010. They have elected to use a single CIL charging rate of £70 per m^2 across all areas and all use types in their borough.

Our findings show that those uses showing sufficient viability to support CIL charges should be able to contribute to infrastructure costs at the same levels regardless of their location in the district.

8. Development Inputs

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.

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.

Within these costs we have included a CIL charge to test the sensitivity with a range from £0 per m^2 up to £280 per m^2.

As previously stated in each of our residual appraisals we have made the assumption that the landowner has judged that the current notional building does not optimise the best use for the site and a higher value can be obtained such as by increasing the density by replacement with a larger building.

9. Development Types

We briefly comment on the assumptions and findings of the various non-residential use classes:

Retail

In planning terms Retail is sub-divided in to Classes A1 to A5. These cover properties used for example as small newsagents, large scale food stores, retail warehouses and comparison shopping (A1), estate agents and financial services (A2), restaurants (A3), pubs (A4) and hot food takeaway establishments (A5).

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.

We have looked at CIL rates up to £130 to £140 per m^2 as being sustainable on retail 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. To 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	£1,538,400

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	£1,285,650

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 3,000 m^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 500 m^2 to be charged £nil and all A1 Retail development over 500 m^2 to be charged £211 m^2.

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 zonal boundaries or 'different categories of intended use'."

We have also taken into consideration the 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 provided that they are justified by the viability evidence.

We believe that 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 and others are not.

We have taken into account the fragile nature of the retail market. However, we see that convenience stores and food retailing as well as larger retail warehouses are proving viable whereas most comparison shopping is not strong enough at this stage.

Generally and historically the Winchester town centre retail market has been healthy and thriving. The rental levels are the highest in the district and the number of empty retail units is below the national average. Retail investment yields are consequently low although these factors are not reflected in other towns within the district.

Retail property provides a community service and can impose on infrastructure such as highways, transport and parking requirements. We have also considered that the main centres in the district are generally well developed and new floor space will be limited to the new Major Development Areas. Also that s.106 and s.278 contributions are still available for site specific infrastructure needs.

Therefore, our recommendation is that a CIL charge of £120 per m^2 is appropriate across the whole Class A1 retail sector within Winchester town centre as defined by the town centre boundary in the Winchester District Local Plan- [Map 31 South]. We do not consider that this level should unduly affect small scale development coming forward and is considered affordable for larger scale schemes.

For convenience stores, supermarkets and retail warehousing outside of Winchester town centre we also recommend that a CIL charge will not affect viability at a rate of £120 m^2 but all other retail Class A categories are charged a £nil rate which includes comparison retailing outside of Winchester town centre. The definition of a Convenience store can be taken from the Institute of Grocery Distribution as follows:

1. **Size**: The store must be under 278 m^2 [3,000 ft^2]
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

A simple definition of a Supermarket for this purpose is a food based retail unit greater than 278 m^2. A retail warehouse can be defined as a large store, typically on one level, that specialises in the sale of bulky goods such as carpets, furniture, electrical goods or DIY items.

Business Uses

The office and industrial/warehouse markets are currently offering the least ability to afford CIL charges. This is due to lower rents resulting from an adequate supply of stock, weak occupier demand and higher yields resulting from shorter leases and weaker covenants.

It is recognised that the area is economically more active than many others in the area. Also we recognise that there is a strong local economy. However the fragile economic viability of commercial development is sensitive to increased costs and we have concluded, similar to many other authorities, that despite stronger perceived values, there is insufficient buffer in the residual appraisals to support any CIL charge in the Class B category.

Hotels

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.

Our findings show that hotel development could support CIL charges of between £150 to £190 per m^2. However, we suggest a rate of £70 per m^2 is in line with adjacent authorities and allows for a sufficient buffer for site specific issues.

Due to their timing, new CIL charging is unlikely to affect new hotel proposals at Winnall and Whitely.

Student Housing

New student housing development will generally be sited near to or within easy travelling distances to universities or colleges. We have looked at the room rates and values being charged locally and examined the rates used in Winchester.
Our findings show that even a modest CIL rate will affect viability and we do not believe there is a sufficient buffer to allow for site specific issues. It is noted that a rate of £105 per m^2 rate is being charged by Portsmouth which has a higher student population but our recommendation is that a £nil level is appropriate for the Winchester district.

Uses within Class C2

We have been instructed to specifically consider uses 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.

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 appropriate or straightforward to differentiate between the two types.

For these reasons we consider that a £nil CIL charge rate is appropriate for these types of community uses. It is recognised that this recommendation differs from the rates set by Portsmouth and proposed by Fareham by both of these authorities are in a significant minority in this category.

For all other C2 and C2a uses, the occupation generally does not generate revenue and is usually funded by public money. Even when services within these categories are contracted out, they are usually subsidised by public funding. Therefore we consider that a £nil charge rate is appropriate.

Community Uses

Uses falling with Class D1 and D2 are also diverse 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 exceed their income, such as swimming pools and libraries. Therefore they often only exist through public subsidies. Therefore we consider that a £nil charge rate is appropriate.

10. Understanding the Viability Appraisal

We provide in the following appendices a selection of the appraisals for the various 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 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 selection to show the outcome of the recommended CIL rates.

Each appraisal shows the inputs used and starts with calculating the Gross Development Value [GDV] based on an assumed size of building. From this the purchasers 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.

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. This also includes the standard developer's profit of 20% of the costs which is the reward for the risk of the development.

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.

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% land owner's premium identified as necessary for him to bring the site forward for development. We compare this figure to the earlier residual land value of the proposed scheme. The 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 schemes 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.

11. Conclusion

We set out the summary of our conclusions in the following table of proposed charges:

Use Class	Proposed WCC CIL Rate –m^2
Residential	**TBC**
Residential	**TBC**
Office	**£nil**
Hotel	**£70**
High Street/ Centre Retail	**A1 Retail[1] in Winchester Town Centre[2] - £120 All other areas- £nil**
Out of Centre Retail	**All other areas other than Winchester Town Centre[2]- £nil**
	All areas other than Winchester Town Centre[2] – Convenience stores, Supermarkets and Retail warehouse[3]- £120
Industrial and Warehousing	**£nil**
Student Accommodation	**£nil**
Residential and non residential institutions	**£nil**
Any other development	**£nil**

[1]A1 Retail includes shops, supermarkets, retail warehouses, hairdressers, undertakers, travel and ticket agencies, post offices (but not sorting offices), pet shops, sandwich bars, showrooms, domestic hire shops, dry cleaners, funeral directors and internet cafes.

[2] Winchester Town Centre as defined by the town centre boundary in Map 31 South from the Local Development Plan

[3]Convenience Stores, Supermarkets and Retail warehouses are defined as follows: Convenience store

1. **Size**: The store must be under 278 m^2 [3,000 ft^2]
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

Supermarket for this purpose is a food based retail unit greater than 278 m^2. Retail warehouse is defined as a large store, typically on one level, that specialises in the sale of bulky goods such as carpets, furniture, electrical goods or DIY items.

Appendix 1 - Office Appraisal

Commercial Development Appraisal

Use Class:	**Offices**	

DEVELOPMENT VALUE				
Rental Income		**£ per sq ft**	**£ per annum**	
Rent- area x rate per sqft	20,000	18.00	£360,000	
Total Rental Income			£360,000	
Rent free/voids (years)	2	0.8653	£311,508	
Total revenue, capitialised (incl all costs)		7.5%	£4,153,440	
Gross Development Value			**£4,153,440**	
Less Purchaser's Costs	**5.75%**	**£238,823**	**£3,914,617**	**A**

DEVELOPMENT COSTS				
Development Costs				
	Area	**£ per sq ft**	**Total**	
Demolition Costs	10,000	£5	£50,000	
Building Costs		£123.00	£2,706,000	
Gross Internal Floor Area	22,000			
		%		
External Works		1.50%	£40,590	
Professional Fees		10%	£270,600	
Contingency		5%	£135,300	
Community Infrastructure Levy		0	£0	
Total			**£3,202,490**	
Disposal Costs				
		%	**Total**	
Letting Agent's Fee (% of Rent)		15%	£54,000	
Agent's Fees (on capital value)		1%	£41,534	
Legal Fees (% of capital value)		0.75%	£31,151	
Total			**£126,685**	
Interest on Finance				
	Months	**%**	**Total**	
Total Development duration	18			
Loan arrangement fee		1%	£32,024.90	
Interest on Construction Costs	18	7.0%	£112,087	
Total			**£144,112**	
Profit				
		%	**Total**	
loper's Profit on Total Development Cost		20%	£694,657	
Total Development Costs			**£4,167,945**	**B**

CIL
£0
£20
£30
£40
£50
£60
£70
£80
£90
£100
£130
£160
£190
£220
£250
£280

LAND VALUE					
	Months	**%**	**Total**		
Land Surplus/Deficit			-£253,328	**A-B**	-£238,761
Stamp Duty		4%	-£10,133		
Agent's Fees		1.25%	-£3,167		
Legal Fees		0.50%	-£1,267		
Sub-total			-£14,566		
Interest on land finance	24	7.00%	-£16,713		
Total			**-£31,280**		
RESIDUAL LAND VALUE			**-£222,048**	**C**	

Existing Site Value					
	%				
Assumes existing space is % of new	50%	10,000			
Rent per sq ft		£10.00			
Rental income per annum		£100,000			
Rent free/voids (years)		3	0.7938	£79,380	
Total revenue, capitalised (incl all costs)			9%	£882,000	
Refurbishment costs (per sq ft)		£25	£250,000		
Fees		7%	£17,500		
Total			**£267,500**		
Purchaser's Costs		5.75%	£50,715		
Total Costs			**£318,215**		
Existing Site Value				**£563,785**	**D**

SV incl Landowner Premium	20%	£112,757	£676,542	**E**
Surplus available to fund CIL			**-£898,590**	**C-E**

Appendix 2 - Hotel Appraisal

Commercial Development Appraisal

			Use Class:	**Hotel**	
DEVELOPMENT VALUE					
Capital Value					
		Area sqft	**£**		
		22,000			
No of Rooms	100				
Capital value per room			£100,000		
Total Capital Value				£10,000,000.00	
Gross Development Value				**£10,000,000**	
Less Purchaser's Costs		**5.75%**	**£575,000**	**£9,425,000**	**A**

DEVELOPMENT COSTS						
Development Costs						CIL Amount
	Area	**£ per sq ft**	**Total**			
Demolition Costs	11,000	£5	£55,000		£2,717,000	£0
Building Costs		£121	£2,662,000			£20
Area	22,000					£30
Contingency		5%	£133,100			£40
External Works		3.00%	£79,860			£50
Fit out costs (per room)	£7,500		£750,000			£60
Professional Fees		10%	£271,700			£70
Community Infrastructure Levy		70	£1,540,000			£80
Total			**£5,491,660**			£90
Disposal Costs					£5,666,660	£100
		%	**Total**			£130
Letting Agent's Fee (% of Rent)		0%	-			£160
Agent's Fees (on capital value)		1%	£100,000			£190
Legal Fees (% of capital value)		0.75%	£75,000			£220
Total			**£175,000**			£250
Interest on Finance						£280
	Months	**%**	**Total**			
Total Development duration	24					
Loan arrangement fee		1%	£54,917			
Interest on Construction Costs	12	7.0%	£396,666			
Total			**£451,583**			
Profit						
		%	**Total**			
loper's Profit on Total Development Cost		20%	£1,223,649			
Total Development Costs			**£7,341,891**	**B**		

LAND VALUE					
	Months	**%**	**Total**		£1,963,330
Land Surplus			£2,083,109	**A-B**	
Stamp Duty		4%	£83,324		
Agent's Fees		1.25%	£26,039		
Legal Fees		0.50%	£10,416		
Total			**£119,779**		
Interest on land finance	24	7.00%	£137,433		
Total			**£376,991**		
RESIDUAL LAND VALUE			**£1,706,118**	**C**	

Existing Site Value					
	%				
Assumes existing space is % of new	50%	11,000			
Rent per sq ft		£12			
Rental income per annum		£132,000			
Rent free/voids (years)		3	0.7938	£104,782	
Total revenue, capitalised			7.5%	£1,309,770	
(incl all costs)					
Refurbishment costs (per sq ft)		£35	£385,000		
Fees		7%	£26,950		
Total			£411,950		
Purchaser's Costs		5.75%	£75,312		
			£487,262		
Existing Site Value				**£822,508**	**D**
SV incl Landowner Premium		20%	£164,502	£987,010	**E**
Surplus available to fund CIL				**£719,108**	**C-E**

Appendix 3 - Winchester City Comparison Retail Appraisal

Commercial Development Appraisal

Use Class: **Winchester Comparison Retail**

DEVELOPMENT VALUE				
Rental Income		**£ per sq ft**	**£ per annum**	
Rent - area x rate per sqft	2,000	60	£120,000	
Total Rental Income	2,000		£120,000	
Rent free/voids (years)	2	0.8653	£103,836	
Total revenue, capitialised (incl all costs)		6.5%	£1,597,477	
Gross Development Value			**£1,597,477**	
Less Purchaser's Costs	**5.75%**	**£91,855**	**£1,505,622**	**A**

DEVELOPMENT COSTS						
						CIL
Development Costs						
	Area	**£ per sq ft**	**Total**			£0
Demolition Costs	1,000	£15	£15,000		£235,000	£20
Building Costs		£110	£220,000			£30
Area	2,000					£40
Contingency		7%	£15,400			£50
External Works		3.00%	£6,600			£60
Professional Fees		12%	£28,200			£70
						£80
Community Infrastructure Levy		120	£120,000			£90
						£100
Total			**£405,200**			£120
Disposal Costs						£130
		%	**Total**			£140
Letting Agent's Fee (% of Rent)		15%	£18,000			£150
Agent's Fees (on capital value)		1%	£15,975			£170
Legal Fees (% of capital value)		0.75%	£11,981			£200
						£220
Total			**£45,956**			£250
Interest on Finance					£451,156	
	Months	**%**	**Total**			
Total Development duration	12					
Loan arrangement fee		1%	£4,052.00			
Interest on Construction Costs	12	7.0%	£31,581			
Total			**£35,633**			
Profit						
		%	**Total**			
loper's Profit on Total Development Cost		20%	£97,358			
Total Development Costs			**£584,147**	**B**		

LAND VALUE					
	Months	**%**	**Total**		
Land Surplus			£1,013,330	**A-B**	£955,064
Stamp Duty		4%	£40,533		
Agent's Fees		1.25%	£12,667		
Legal Fees		0.50%	£5,067		
Total			£58,266		
Interest on land finance	24	7.00%	£66,854		
Total			**£125,121**		
RESIDUAL LAND VALUE			**£888,209**	**C**	

Existing Site Value					
	%				
Assumes existing space is % of new	50%	1,000			
Rent per sq ft		£40			
Rental income per annum		£40,000			
Rent free/voids (years)		3	0.7938	£31,752	
Total revenue, capitalised (incl all costs)			8%	£396,900	
Refurbishment costs (per sq ft)		£20	£20,000		
Fees		7%	£1,400		
Total			**£21,400**		
Purchaser's Costs		5.75%	£48,287		
Total Costs			**£69,687**		
Existing Site Value				**£327,213**	**D**
SV incl Landowner Premium		20%	£65,443	£392,656	**E**
Surplus available to fund CIL				**£495,553**	**C-E**

Appendix 4 - Convenience Store Appraisal

Commercial Development Appraisal

Use Class:	**Convenience Store**

DEVELOPMENT VALUE				
Rental Income			**£ per annum**	
Gross internal area x rent per sqft	3,000	£15.00	£45,000	
Total Rental Income			£45,000	
Total revenue, capitialised (incl all costs)		6.25%	£720,000	
Gross Development Value			**£720,000**	
Less Purchaser's Costs	**5.75%**	**£41,400**	**£678,600**	**A**

DEVELOPMENT COSTS						
						CIL
	Area	**£ per sq ft**	**Total**			£0
Demolition Costs	1,500	£5	£7,500		£223,500	£20
Building Costs		£72	£216,000			£30
Area	3,000					£40
Contingency		5%	£10,800			£50
External Works		3.00%	£6,480			£60
Professional Fees		10%	£22,350			£70
						£80
Community Infrastructure Levy		120	£180,000			£90
						£100
Total			**£443,130**			£120
Disposal Costs						£130
		%	**Total**			£140
Letting Agent's Fee (% of Rent)		10%	£4,500			£150
Agent's Fees (on capital value)		1%	£7,200			£170
Legal Fees (% of capital value)		0.75%	£5,400			£200
						£220
Total			**£17,100**			£250
Interest on Finance					£460,230	
	Months	**%**	**Total**			
Total Development duration	12					
Loan arrangement fee		1%	£4,431.30			
Interest on Construction Costs	12	7.0%	£32,216			
Total			**£36,647**			
Profit						
		%	**Total**			
loper's Profit on Total Development Cost		20%	£99,375			
Total Development Costs			**£596,253**	**B**		

LAND VALUE					
	Months	**%**	**Total**		
Land Surplus			£123,747	**A-B**	£120,344
Stamp Duty		1%	£1,237		
Agent's Fees		1.25%	£1,547		
Legal Fees		0.50%	£619		
Total			£3,403		
Interest on land finance	12	7.00%	£8,424		
Total			**£11,827**		
RESIDUAL LAND VALUE			**£111,920**	**C**	

Existing Site Value					
	%				
Assumes existing space is % of new	50%	1,500			
Rent per sq ft		£5.00			
Rental income per annum		£7,500			
Rent free/voids (years)		3	0.7938	£5,954	
Total revenue, capitalised (incl all costs)			8%	£74,419	
Refurbishment costs (per sq ft)		£15	£22,500		
Fees		7%	£1,575		
Total			**£24,075**		
Purchaser's Costs		5.75%	£17,171		
Total Costs			**£41,246**		
Existing Site Value				**£33,173**	**D**

Site Value incl Landowner Premium	20%	£6,635	£39,807	**E**
Surplus available to fund CIL			**£72,113**	**C-E**

Commercial Development Appraisal

Use Class:	Retail Warehouse

DEVELOPMENT VALUE					
Rental Income		**£ per sq ft**	**£ per annum**		
Rent - area x rate per sqft	30,000	20	£600,000		
Total Rental Income	30,000		£600,000		
Rent free/voids (years)	2	0.8653	£519,180		
Total revenue, capitialised (incl all costs)		7.0%	£7,416,857		
Gross Development Value			**£7,416,857**		
Less Purchaser's Costs	**5.75%**	**£426,469**	**£6,990,388**	**A**	

DEVELOPMENT COSTS					
Development Costs					
	Area	**£ per sq ft**	**Total**		
Demolition Costs	15,000	£5	£75,000		£1,665,000
Building Costs		£53	£1,590,000		
Area	30,000				
Contingency		5%	£79,500		
External Works		1.50%	£23,850		
Professional Fees		10%	£166,500		
Community Infrastructure Levy		120	£1,800,000		
Total			**£3,734,850**		
Disposal Costs					
		%	**Total**		
Letting Agent's Fee (% of Rent)		10%	£60,000		
Agent's Fees (on capital value)		1%	£74,169		
Legal Fees (% of capital value)		0.75%	£55,626		
Total			**£189,795**		
Interest on Finance					£3,924,645
	Months	**%**	**Total**		
Total Development duration	18				
Loan arrangement fee		1%	£37,348.50		
Interest on Construction Costs	18	7.0%	£274,725		
Total			**£312,074**		
Profit					
		%	**Total**		
loper's Profit on Total Development Cost		20%	£847,344		
Total Development Costs			**£5,084,062**	**B**	

CIL
£0
£20
£30
£40
£50
£60
£70
£80
£90
£100
£120
£130
£140
£150
£170
£200
£220
£250

LAND VALUE					
	Months	**%**	**Total**		
Land Surplus			£2,332,795	**A-B**	£2,198,659
Stamp Duty		4%	£93,312		
Agent's Fees		1.25%	£29,160		
Legal Fees		0.50%	£11,664		
Total			£134,136		
Interest on land finance	24	7.00%	£153,906		
Total			**£288,042**		
RESIDUAL LAND VALUE			**£2,044,753**	**C**	

Existing Site Value					
	%				
Assumes existing space is % of new	50%	15,000			
Rent per sq ft		£10			
Rental income per annum		£150,000			
Rent free/voids (years)		3	0.7938	£119,070	
Total revenue, capitalised (incl all costs)			8%	£1,488,375	
Refurbishment costs (per sq ft)		£20	£300,000		
Fees		7%	£21,000		
Total			**£321,000**		
Purchaser's Costs		5.75%	£195,160		
Total Costs			**£516,160**		
Existing Site Value				**£972,215**	**D**

SV incl Landowner Premium	20%	£194,443	£1,166,657	**E**
Surplus available to fund CIL			**£878,095**	**C-E**

Commercial Development Appraisal

Use Class:	**Supermarket**

DEVELOPMENT VALUE						
Rental Income			**£ per annum**			
Rent - gross internal area x rent per sqft	30,000	£15.00	£450,000			
Total Rental Income	30,000		£450,000			
Rent free/voids (years)	2	0.8653	£389,385			
Total revenue, capitialised		4.75%	£8,197,579			
(incl all costs)						
Gross Development Value			**£8,197,579**			
Less Purchaser's Costs	**5.75%**	**£471,361**	**£7,726,218**	**A**		
DEVELOPMENT COSTS						
						CIL
			Total			£0
Demolition Costs (area x rate per sqft)	15,000	£5	£75,000		£3,165,000	£20
Building Costs (area x rate per sqft)		£103	£3,090,000			£30
Area (sqft)	30,000					£40
Contingency		5%	£154,500			£50
External Works		1.50%	£46,350			£60
Professional Fees		10%	£316,500			£70
						£80
Community Infrastructure Levy		120	£1,800,000			£90
						£100
Total			**£5,482,350**			£120
Disposal Costs						£130
			Total			£140
Letting Agent's Fee (% of Rent)		10%	£45,000			£150
Agent's Fees (on capital value)		1%	£81,976			£170
Legal Fees (% of capital value)		0.75%	£61,482			£200
						£220
Total			**£188,458**			£250
Interest on Finance					£5,670,808	
	Months	**%**	**Total**			
Total Development duration	18					
Loan arrangement fee		1%	£54,823.50			
Interest on Construction Costs	18	7.0%	£396,957			
Total			**£451,780**			
Profit						
		%	**Total**			
eloper's Profit on Total Development Cost		20%	£1,224,518			
Total Development Costs			**£7,347,105**	**B**		

LAND VALUE					
	Months	**%**	**Total**		
Land Surplus			£850,474	**A-B**	£801,572
Stamp Duty		4%	£34,019		
Agent's Fees		1.25%	£10,631		
Legal Fees		0.50%	£4,252		
Total			£48,902		
Interest on land finance	24	7.00%	£56,110		
Total			**£105,012**		
RESIDUAL LAND VALUE			**£745,462**	**C**	

Existing Site Value					
	%				
Assumes existing space is % of new	50%	15,000			
Rent per sq ft		£5			
Rental income per annum		£75,000			
Rent free/voids (years)		3	0.7938	£59,535	
Total revenue, capitalised			9.00%	£744,188	
(incl all costs)					
Refurbishment costs (per sq ft)		£20	£300,000		
Fees		7%	£21,000		
Total			**£321,000**		
Purchaser's Costs		5.75%	£190,414		
Total Costs			**£511,414**		
Existing Site Value				**£232,774**	**D**

SV incl Landowner Premium	20%	£46,555	£279,329	**E**
Surplus available to fund CIL			**£466,133**	**C-E**

Commercial Development Appraisal

			Use Class:	**Industrial**			
DEVELOPMENT VALUE							
Rental Income			**£ per sq ft**	**£ per annum**			
Rent-area x rate per sqft		30,000	£7.00	£210,000			
Total Rental Income				£210,000			
Rent free/voids (years)		2	0.8417	£176,757			
Total revenue, capitialised (incl all costs)			7.5%	£2,356,760			
Gross Development Value				**£2,356,760**			
Less Purchaser's Costs		**5.75%**	**£135,514**	**£2,221,246**	**A**		
DEVELOPMENT COSTS							
Development Costs							
		Area	**£ per sq ft**	**Total**			
Demolition Costs		15,000	£5	£75,000		£1,794,900	CIL
Building Costs			£52	£1,638,000			
Gross External Floor Area		31,500					£0
Contingency			5%	£81,900			£20
External Works			1.50%	£24,570			£30
Professional Fees (%)			7%	£125,643			£40
Community Infrastructure Levy			£0	£0			£50
							£60
Total				**£1,945,113**		£2,007,356	£70
Disposal Costs							£80
			%	**Total**			£90
Letting Agent's Fee (% of Rent)			10%	£21,000			£100
Agent's Fees (on capital value)			1%	£23,568			£130
Legal Fees (% of capital value)			0.75%	£17,676			£160
							£190
Total				**£62,243**			£220
Interest on Finance							£250
		Months	**%**	**Total**			£280
Total Development duration		12					
Loan arrangement fee			1%	£19,451			
Interest on Construction Costs		6	7.0%	£140,515			
Total				**£159,966**			
Profit							
			%	**Total**			
loper's Profit on Total Development Cost			20%	£433,464			
Total Development Costs				**£2,600,787**	**B**		
LAND VALUE							
		Months	**%**	**Total**			
Land Surplus				-£379,541	**A-B**		
Stamp Duty			4%	-£15,182			
Agent's Fees			1.25%	-£4,744			
Legal Fees			0.50%	-£1,898			
Total				-£21,824		-£357,717	
Interest on land finance		12	7.00%	-£25,040			
Total				**-£46,864**			
RESIDUAL LAND VALUE				**-£332,677**	**C**		
Existing Site Value							
	%						
Assumes existing space is % of new	50%	15,000					
Rent per sq ft		£3					
Rental income per annum		£45,000					
Rent free/voids (years)		3	0.7938	£35,721			
Total revenue, capitalised (incl all costs)			10%	£357,210			
Refurbishment costs (per sq ft)		£5	£75,000				
Fees		7%	£5,250				
Total			**£80,250**				
Purchaser's Costs		5.75%	£20,540				
Total Costs			**£100,790**				
Existing Site Value				£256,420	**D**		
SV plus Landowner Premium		20%	£51,284	£307,705	**E**		
Surplus available to fund CIL				**-£640,381**	**C-E**		

Appendix 8 - Student Accommodation Appraisal

Commercial Development Appraisal

Use Class:	Student Hsg

DEVELOPMENT VALUE				
Rental Income				
	Weeks	**£**		
Annual rent per unit - term time (95% occupancy)	39	£36,195	£1,411,605	
Annual rent per unit - summer (50% occupancy)	8	£12,750	£102,000	
Total			**£1,513,605**	
	Units	**£ per unit**	**Total**	
Operating Costs	300	£1,900	£570,000	
Net annual rents			£943,605	
Total Revenue, capitalised (incl all costs)		6.75%	£13,979,333	
Gross Development Value			**£13,979,333**	
Less Purchaser's Costs	**5.75%**	**£803,812**	**£13,175,522**	**A**

DEVELOPMENT COSTS						
Development Costs						
	Area	**£ per sq ft**	**Total**			CIL Amount
Demolition Costs	27,000	£5	£135,000		£6,345,000	
Building Costs		£115	£6,210,000			£0
Area	54,000					£20
Fit out	300	£6,000	£1,800,000			£30
External Works		3.0%	£186,300			£40
Professional Fees		10%	£634,500			£50
Contingency		5%	£310,500			£60
Community Infrastructure Levy		0	£0			£70
Total			**£9,276,300**			£80
Disposal Costs					£9,520,938	£90
		%	**Total**			£100
Letting Agent's Fee (% of Rent)		0%	-			£130
Agent's Fees (on capital value)		1%	£139,793			£160
Legal Fees (% of capital value)		0.75%	£104,845			£190
Total			**£244,638**			£220
Interest on Finance						£250
	Months	**%**	**Total**			£280
Total Development duration	24					
Loan arrangement fee		1%	£92,763			
Interest on Construction Costs	24	7.0%	£666,466			
Total			**£759,229**			
Profit						
		%	**Total**			
loper's Profit on Total Development Cost		20%	£2,056,033			
Total Development Costs			**£12,336,200**	**B**		

LAND VALUE					
	Months	**%**	**Total**		£1,548,653
Land Surplus			£1,643,133	**A-B**	
Stamp Duty		4%	£65,725		
Agent's Fees		1.25%	£20,539		
Legal Fees		0.50%	£8,216		
Total			**£94,480**		
Interest on land finance	20	7.00%	£108,406		
Total			**£297,366**		
RESIDUAL LAND VALUE			**£1,345,767**	**C**	

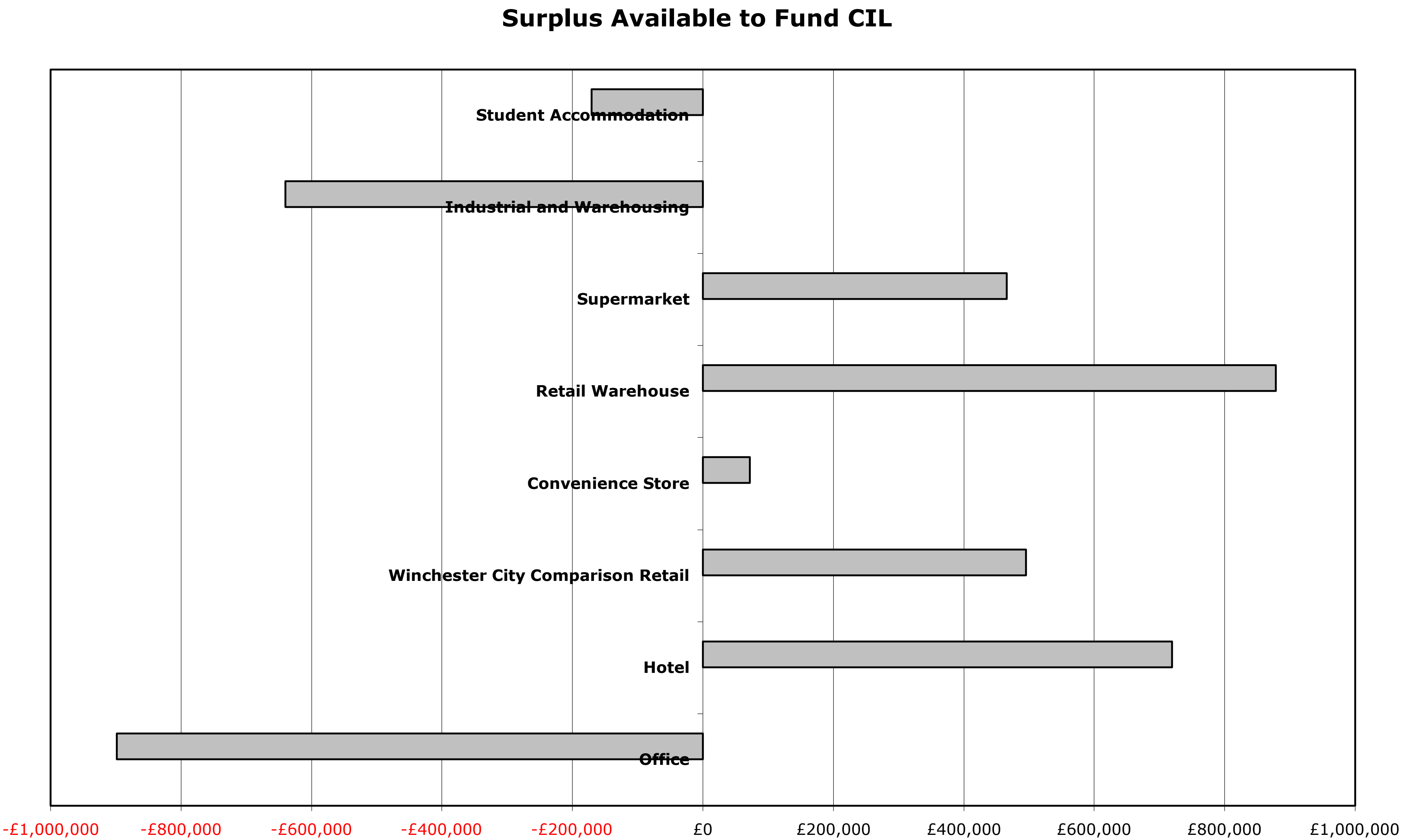
Existing Site Value					
	%				
Assumes existing space is % of new	50%	27,000			
Rent per sq ft		£7			
Rental income per annum		£189,000			
Rent free/voids (years)		3	0.9346	£176,639	
Total revenue, capitalised (incl all costs)			9%	£2,523,420	
Refurbishment costs (per sq ft)		£35	£945,000		
Fees		7%	£66,150		
Total			**£1,011,150**		
Purchaser's Costs		5.75%	£248,418		
Total			£1,259,568		
Existing Site Value				**£1,263,852**	**D**

SV incl Landowner Premium	20%	£252,770	£1,516,623	**E**
Surplus available to fund CIL			**-£170,856**	**C-E**

Appendix 9 - Table of Appraisal Results and Graph Showing Surplus Available to Fund CIL

Use Classes	CIL Rate	Surplus available to fund CIL
Office	£0	-£898,590
Hotel	£70	£719,108
Winchester City Comparison Retail	£120	£495,553
Convenience Store	£120	£72,113
Retail Warehouse	£120	£878,095
Supermarket	£120	£466,133
Industrial and Warehousing	£0	-£640,381
Student Accommodation	£0	-£170,856

Appendix 9 - Table of Appraisal Results and Graph Showing Surplus Available to Fund CIL



Initial possible CIL rate

2.16 As a starting point for the viability work, an initial possible CIL rate per m^2 of floor space was estimated. Viability testing would take this notional figure as a starting point to work with to assess viability, and to establish whether differential rates should be used for different land uses or for different areas of the city.

2.17 This initial figure was calculated by relating the total cost from CIL identified in table 1 to the proposed level of residential (excluding affordable housing) and commercial development in the Core Strategy, taking into account completions and permissions to date.

Table 2: Residential & Commercial Floorspace proposed in Core Strategy 2010-2027		
	Sqm floorspace	**Notes**
Residential	504,389	Up to 9,481 units (12,754 units planned minus 3,273 completions to 2010); assumed $76m^2$ as average floorspace; then assumed 30% affordable, which will not be liable for CIL (720,556 – 216,167 = 504,389).
B1-B8	228,126	PUSH apportionment minus B1-B8 completions in 2009ELR plus 2009/10 AMR (59,374 m^2)
Retail	55,637	2009/10 shows some retail losses (-$4497m^2$, so these have been added to the retail study figure)
Total Planned Floorspace	**788,152**	
	£85,825,000: $788,152m^2$ = **£108.89/ m^2**	

2.18 This calculation is of course a crude one, as it only includes the types of development for which there is planned floorspace in the Core Strategy. In addition, not all land uses are likely to be able to bear the same level of CIL, and not all developments will contribute. However, making this calculation served as a useful starting point from which to begin further work on viability. Viability consultants began looking at viability around that figure[4], testing the scope also for higher and lower contribution scenarios.

The CIL Viability Assessment

2.19 CIL guidance is clear that it should 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 council's area. For this reason, the city council commissioned development viability assessment experts the Dixon Searle Partnership (DSP) to assess the level at which CIL could be set so that development remains viable.

2.20 Using well established techniques to examine the impact on residual land values of added cost requirements from the proposed CIL rate, the study explored the scope for CIL charge rates in Portsmouth in relation to a range of land uses, in particular:

a) Residential (dwelling houses & residential institutions)
b) Offices and Industrial uses
c) Retail (small, large, supermarket, city centre)

[4] It should be noted that when the viability work was undertaken, and in the consultation on the preliminary draft charging schedule of March 2011, a different floorspace figure for housing was assumed (544,649 m^2). The starting point for the viability work was therefore a figure of £104.99). Since that work, the city council has reviewed its urban capacity and the Regulation 27 Core Strategy includes the housing figure now set out in table 2.

Community Infrastructure Levy

Charging Schedule

Purpose

This schedule sets out the Community Infrastructure Levy charging rates set by Fareham Borough Council.

Date of Approval

This charging Schedule was approved by Fareham Borough Council on XXXXX.

Effective Date

This Charging Schedule shall take effect on YYYYY.

Charging Rates

Type of Development (see Note 1 below)	**CIL charge per m^2**
Residential falling within Classes C3(a) & (c) and C4	£105
Care homes falling within Classes C3(b) and C2	£60
Hotels falling within Class C1	£35
Retail falling within Class A1:	
Comparison retail (see Note 2 below) in the centres as shown on the maps annexed to this schedule	£0
All Other Retail (see Note 3 below)	£120
Standard Charge (applies to all development not separately defined above, for example: offices, warehouses and leisure and education facilities)	£0

Note 1 - References above to Classes are to the Use Classes as set out in the Town and Country Planning (Use Classes) Order 1987 (as amended).

Note 2 - Reference to "comparison retail" means the selling of clothing and fashion accessories, footwear, household appliances (electric or gas), carpets and other floor coverings, furniture, household textiles, glassware, tableware and household

2.10 The information presented in the table, however, is only a 'snapshot' of the current situation. The figures it contains will evolve and change as further information becomes available and the plan will be updated and reviewed accordingly. It is also only a broad assessment of infrastructure needs (in scale and type) and is not any indication of the Council's priorities in allocating CIL funds for particular projects.

3.0 THE DRAFT CHARGING SCHEDULE

Calculating the CIL rates

3.1 The Economic Viability Assessment showed that, for certain types of development in particular areas, much higher CIL rates than those proposed in the schedule (above) could be applied without affecting viability. There are, however, several reasons for the Council not adopting rates significantly above the baseline figure.

3.2 Charging authorities are strongly advised not to adopt CIL rates at or near the margin of viability. This is to allow for future fluctuations in market conditions and means that the Charging Schedule will not need to be reviewed with every minor change in conditions.

3.3 This schedule sets out the Community Infrastructure Levy charging rates set by Havant Borough Council. In the year that CIL is adopted, it is proposed to set a **basic CIL rate of £84 per square metre** across most of the Borough. Appendix 1 accompanying this schedule shows the boundaries of the Emsworth and Hayling Island Wards where the **higher rate of £105 per square metre** for residential development will apply. The higher rate is justified by the higher margins on land values in these areas. Both these rates include an additional 5% to cover administration costs, in accordance with the CIL regulations.

3.4 For small, out of centre retail developments (less than 280 sq m), the charge is discounted by 50% to **£42 per square metre**.

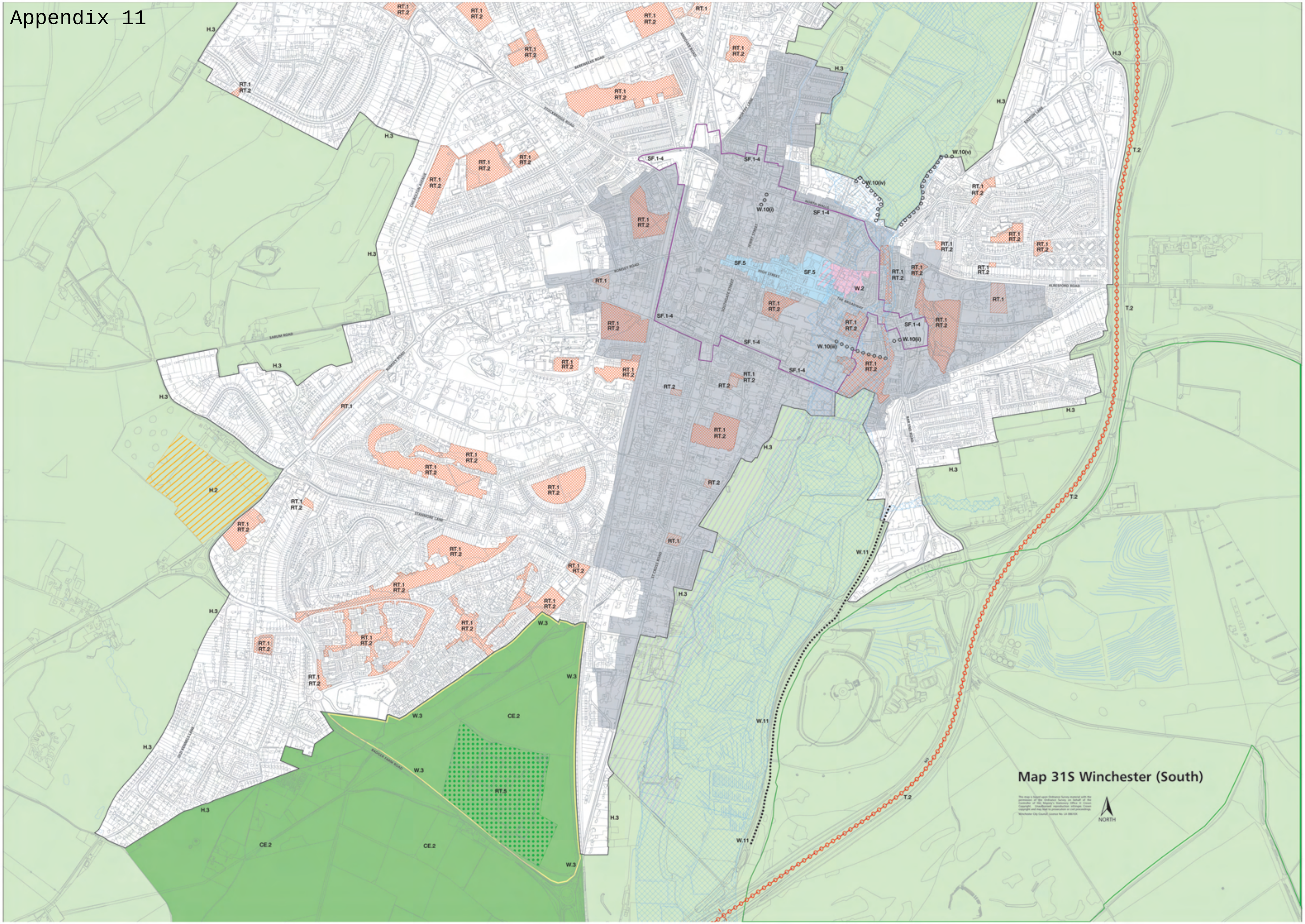
Table 2: Proposed CIL rates

Development Type	CIL Rate (per sq m)
Residential (one dwelling or more) **- Emsworth and Hayling Island** **- Rest of Borough**	 **£105** **£84**
Hotel	**£84**
Industrial **Offices**	**£0** **£0**
Retail **- Town centre** **- Edge/out of centre > 280 sq m** **- Out of centre < 280 sq m**	 **£0** **£84** **£42**
Community Uses	**£0**

3.5 The rates are considered to strike the most appropriate balance between the desirability of funding infrastructure in the area and the potential effects on the economic viability of development in the Borough.

3.6 The setting of a viable CIL rate also has implications for the provision of affordable housing. Policy CS9 of the Core Strategy seeks affordable housing of 30-40% on sites of five or more dwellings. Currently, most sites deliver at the lower end of this

Appendix 11


Map 31S Winchester (South)
NORTH
RT.1
RT.2
H.3
H.2
SF.1-4
SF.5
W.2
W.3
W.10(i)
W.10(ii)
W.10(iii)
W.10(iv)
W.10(v)
W.11
T.2
CE.2
RT.5

Appendix 12

Proposed CIL Charge in comparison to neighbouring authorities:

Use Class	Havant BC Draft Rate-m^2	Fareham BC Draft Rate-m^2	Portsmouth CC Rate-m^2	Proposed WCC CIL Rate –m^2
Residential	Emsworth and Hayling - £105	£105	£105	**TBC**
Residential	Rest of Borough - £84			**TBC**
Office	£nil	£nil	£nil	**£nil**
Hotel	£84	£35	£53	**£70**
High Street/ Centre Retail	£nil	Comparison in specified centres - £nil	£53	**A1 Retail[1] in Winchester Town Centre[2] - £120 All other areas- £nil**
Out of Centre Retail	>280 sqm - £84 <280 sqm - £42	All other retail £120	<280 sqm - £53	**All other areas other than Winchester Town Centre[2]- £nil**
				All areas other than Winchester Town Centre[2] – Convenience stores, Supermarkets and Retail warehouse[3]- £120
Industrial and Warehousing	£nil	£nil	£nil	**£nil**
Student Accommodation	£nil	£nil	£105	**£nil**
Residential and non residential institutions	£nil	Carehomes C2 and C3a - £60	C2 Residential Institutions - £53	**£nil**
Any other development	£nil	£nil	£105	**£nil**

ADAMS INTEGRA

Adams Integra
St John’s House
St John’s Street
Chichester
West Sussex
PO19 1UU

T: 01243 771304
F: 01243 779993
E: enquiries@adamsintegra.co.uk
W: www.adamsintegra.co.uk