

WORTHING BOROUGH COUNCIL COMMUNITY INFRASTRUCTURE LEVY SCHEDULE EXAMINATION

RETAIL – QUESTIONS 12 to 16

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12. Does the NCS Assessment appraisal adequately reflect the range of retail development likely to come forward in the Borough, including discount foodstores and retail warehousing?
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Response

Yes, it is considered that the viability appraisals undertaken are sufficient to justify the proposed retail CIL rates. Nevertheless, the Council instructed NCS to undertake additional viability appraisals to cover different scales and types of retail development as follows:

	Size	Sales Value (shell)
1. Small foodstore	150sqm	£2750sqm
2. Small Supermarket	750sqm	£2750sqm
3. Medium Supermarket	1,500sqm	£2750sqm
4. Medium Supermarket	2,000sqm	£2750sqm
5. Large Food Superstore	7,500sqm	£3500sqm
6. Small Shop (general retail)	100sqm	£2000sqm
7. Roadside Retail Unit	500sqm	£2000sqm
8. Retail Warehouse	5,000sqm	£3000sqm

In addition (and to respond to specific concerns raised over construction cost rates), the current BCIS construction cost rates (weighted for West Sussex) for the relevant retail categories are set out below (mean price and range from lowest to highest price):

	Mean	Low	High
Supermarket (1000-7000sqm)	£1,416 sqm	£228sqm	£2,381sqm
Food Superstore	£989 sqm	£890sqm	£1,144
Roadside Retail/Shop	£1074 sqm	£458sqm	£3574sqm
Retail Warehouse	£682 sqm	£457sqm	£1022sqm

For reasons explained in the response to Q15 below the mean prices are considered too high for retail shells and are costs that reflect a specification that includes some fitting out. It can be seen quite clearly from the construction price range for small-medium supermarkets (£228 - £2381sqm) and roadside retail/shops (£458-£3574sqm) that the price is heavily dependent on the specification being costed.

The sales values are based on retail shells, so to reflect this the mean build cost rates have been adjusted for small/medium supermarkets and roadside retail and the following cost rates have been applied to the tests as follows:

	Viability Test Rate
Supermarket (1000-7000sqm)	£950 sqm
Food Superstore	£989 sqm
Roadside Retail/Shop	£900 sqm
Retail Warehouse	£682 sqm

The viability results are as follows:

Maximum Retail CIL Rates per Sqm					
Charging Zone/Base Land Value	Small Foodstore 150sqm	Small Supermarket 750sqm	Medium Scale Supermarket 1500sqm	Medium Scale Supermarket 2000sqm	Food Superstore 7500sqm
Districtwide					
Greenfield	£311	£274	£288	£274	£427
Brownfield	£258	£192	£192	£192	£305
Charging Zone/Base Land Value	General Retail 100sqm	General Retail 500sqm	Retail Warehouse 5000sqm		
Districtwide					
Greenfield	£485	£457	£414		
Brownfield	£459	£417	£332		

The results of the additional appraisals set out in the table above clearly demonstrate that the proposed CIL rate of £150sqm for retail development would not impact on the viability of future retail developments that may come forward in the Borough over the Plan period.

13. Does the available evidence support differential CIL rates for smaller and larger retail development?

Response

No. It is not considered that retail rents change significantly with scale of new build retail. It is considered that there is no case for a size division to reduce rates from £150sqm based on the viability work that has been undertaken (including the additional appraisals undertaken in response to Q12).

14. Should the schedule specifically exclude ancillary car parking in retail development?

Response

No. It is considered that most car parking won't be charged CIL – only retail buildings.

It is accepted that multi-storey retail car parks which are a 'cost' to the scheme without direct value would be impacted significantly by CIL but it's not envisaged that there will be many significant development of this nature in Worthing over the plan period (note – the appraisal for Union Place did include a significant construction cost allowance for parking provision)?

It would also be possible to apply for a multi-storey car park separately to the retail application and then the development would not be CIL chargeable.

15. Are the assumptions used in the NCS Assessment appraisal of supermarkets realistic? In particular:

- (a) land values
- (b) construction costs (including allowances for demolitions, abnormals and off-site highway works)
- (c) professional fees
- (d) developer's profit
- (e) ongoing s106 payments

Is there evidence which indicates that the proposed retail CIL rate would make supermarket development unviable?

Response

Yes. It is considered that the key cost allowances represent industry standards.

a) **Land Values** - The Retail Land value allowances are based on the benchmarking approach explained in response to the residential land value questions and these are considered to be appropriate and justifiable.

b) **Construction Costs** - The construction costs are based on Gleeds advice for a developer's retail shell (and have been similarly valued on this basis).

The build-up of the shell rate of £600/m² (at May 2012) is as follows:

Substructure	£120
Superstructure	£270
Finishes	0
F,F&E	0
Services	£10
Ext Works	£130
Prelims	£70
Total	£600/m²

It is likely that the costs expressed by representors on behalf of supermarket operators exceed what can reasonably be expected to be included in a 'shell' specification. The viability appraisals have been both costed and valued on the basis of a 'developers shell'. Specific requirements for lighting and other services, toilets, offices and externally, car-park layout, trolley bays, bollards, etc are all specific to a particular user and are therefore excluded from the 'shell' contract.

Generally, the Gleeds cost/m² rates are based on benchmarking data prepared by Gleeds Research and Development department. This data is obtained from analysis of Gleeds projects. Adjustments are then made to exclude any demolition/facilitating works, abnormal foundations (piling, rafts, etc.) identified within the Gleeds Analysis.

It is not reasonable to make assumptions on abnormal development costs which are always site specific. If there are abnormal costs required to bring a retail site up to developable standard they should be deducted from the land value and will therefore be cost neutral.

It is accepted that most brownfield development will involve demolition of existing buildings but these costs are more than offset by the reduction in CIL charges based on the deduction for existing floorspace.

c) **Professional fees** - the professional fee rates are considered to be consistent with industry standards. The level of professional input is limited for retail shell design and 8% is considered to be perfectly adequate.

d) **Developers profit** - the developers profit allowance at 17.5% (compared to the 20% allowance for speculative residential development) is considered to be reasonable on the assumption that the majority of retail development is pre-let or pre-sold (or in fact undertaken direct by the operator which might remove the developers profit allowance altogether)

e) **S106 Payments** - As set out in the Council's response to question 3, it is considered that the allowances made for on-going S106 payments are realistic. The Council has made it clear within its Draft Developer Contributions SPD (CD03-5) that, when in place, CIL will form the principle mechanism for the collection of contributions to support growth. Depending

on the nature of any retail scheme proposed, planning obligations may still be used to help deliver site specific infrastructure. However, given the type of retail development likely to come forward in the Borough (see response to Q16 below) there are not expected to be significant new site specific infrastructure requirements related to most new development. As such, it is considered that the allowance of £5 sqm for S106 used within the appraisals is reasonable. Furthermore, it should be noted that the evidence (see table within response to Q12 above) clearly demonstrates a significant 'headroom' and that even if a higher allowance were to be built into the model for S106 this would not impact on the overall viability of the retail schemes appraised.

In the Council's opinion, there is no evidence to suggest that a £150 per sqm CIL rate would threaten the viability of supermarket development of any scale.

16. Would the proposed retail CIL rate threaten the ability to develop viably the sites and scale of retail development identified in the Local Plan? If you contend that it would what specific change to the schedule are you seeking and what appropriate available evidence is there to support it?

Response

With regards to retail, the Core Strategy 2011 (CD03-1) seeks to provide the framework for the town centre to accommodate expected growth and to maintain and improve Worthing's primary retail position in order to compete with shopping areas in towns across the wider region. This would be achieved through the creation of a new retail core by redeveloping the Guildbourne Centre and incorporating additional retail space in Union Place (Area of Change 4).

Given the nature of Worthing there are limited opportunities for any other significant retail development opportunities within the Borough and, as a result, a high level of retail development is likely to come forward on existing sites. Furthermore, in order to ensure that retail developments do not undermine the established hierarchy of other retail areas across the Borough the Council applies the sequential test. In addition, the Core Strategy makes it clear that the restriction of retail development at out of centre locations will be an important element in sustaining the existing hierarchy.

To provide an indication as to the level of CIL that retail development in Worthing might support two retail scenarios were tested within the original Viability Appraisal (CD02-6) – a roadside retail unit (300sqm) and supermarket (3,000sqm). In order to assess the impact of CIL on a more realistic development scenario for Worthing the Viability Assessment (CD02-7) then assessed the Union Place mixed-use redevelopment site. The Appraisal demonstrated positive viability for both the residential and retail

elements of the development having allowed for the proposed CIL rates, the residual planning obligation contributions and 30% Affordable Housing delivery.

In response to some points raised during the Draft Charging Schedule consultation, and as outlined in response 12 above, additional appraisals have since been undertaken on a wider range of retail units. It is considered that all the tests undertaken provide a comprehensive assessment of all types of retail development that may come forward over the Plan period. For all scenarios tested there is clear evidence to show that the level of CIL proposed would not impact on the viability of retail development in the Borough.

In conclusion, in the Council's opinion, based on the initial and extended viability assessments that have been undertaken, there is no evidence to suggest that a retail CIL Rate of £150sqm would threaten the delivery of new retail development.
