

WORTHING BOROUGH COUNCIL
COMMUNITY INFRASTRUCTURE LEVY – DRAFT CHARGING SCHEDULE EXAMINATION
MAIN ISSUES AND QUESTIONS FOR THE EXAMINATION

Retail

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

- 1 The Land Value Appraisal Study prepared as part of the evidence base on behalf of Worthing Borough Council (prepared by heb chartered surveyors (November 2013)) explains that the differential between food supermarket and general retail viability is not considered significant and therefore a single CIL rate of £150 sqm is recommended for all forms of retail development across the Borough. However, it is considered that a very limited evidence base was used to draw that conclusion. Setting a CIL rate of £150 per sqm for all new retail development will have a significant impact upon the viability of some forms of retail development, and the potential to secure major investment in Worthing. It is important that distinctions are made between different retail types (i.e. comparison and convenience) and the size of retail development, in particular large scale retail operators.
- 2 The Community Infrastructure Levy Viability Assessment (October 2013) prepared by NCS explains that the assessment for general retail was based on a 300 sqm roadside retail unit and a 3000 sqm food supermarket for the food retail assessment. Whilst it is acknowledged that the assessment states that the general retail assessment was based on a roadside/neighbourhood centre style development (as this is considered as being the most likely form of retail development to come forward within the borough), it is not considered that this represents a fair or robust assessment of the viability of retail floorspace for the area. For example, the viability assessment does not consider larger retail / bulky goods units/warehouses which have considerable warehousing/back up space and which do not have the same valuation values compared to smaller retailers. We therefore consider that the viability analysis is not a sufficiently robust basis upon which to base the charging schedules. We do not consider that there is guidance to support the very limited scope of scenario testing. We consider that a range of scenarios should have been tested, not simply the most likely
- 3 Different types of retail use generate significantly different incomes per sqm and are able to support very different land and rental values. Trading characteristics vary dramatically, and turnover per sqm and indeed traffic generation per sqm vary substantially. Therefore, non-food retail warehousing should be distinguished from food supermarkets as both sectors have very different characteristics.
- 4 Retail Rankings 2013 provides company average sales per sq. m. information for retail operators and for example the sales average for a large scale retail operator such as B&Q is £1,511 per sqm (excl. VAT) compared to £12,160 per sqm (excl VAT) for the supermarket Sainsbury's. This evidence illustrates the substantial difference between comparison and convenience operators in terms of their sales density.

- 5 Indeed, a large number of local authorities have sought to split comparison and convenience retail uses within their charging schedule, with convenience retail categories usually commanding a higher levy rate. For example, in the surrounding area Chichester District Council has acknowledged the difference in viability between comparison and convenience retail floorspace and is proposing two retail charges as follows:
- Retail (wholly or mainly convenience) at £125; and
 - Retail (wholly and mainly comparison) at £20.
- 6 Chichester's proposed CIL Charging Schedule therefore recognises that there is a significant difference between the land and rental values which convenience and comparison retail uses can support to be variable.
- 7 The scale of retail unit is also an important consideration when the viability of development is considered. The turnover, and indeed, the traffic generation associated with retail units is not directly proportionate to the size of a retail unit. Different operators can have significantly different trading characteristics. Applying high levy rates to some large individual operators could be prohibitive and significantly affect potential viability.
- 8 For example, information obtainable on the Valuation Office web site illustrates that B&Q in Worthing (Downland Retail Park, Lyons Way) has a rateable value per sq. m. of £174 whereas smaller retail units in the range of 600-950 sq. m. have a rateable value in the region of £300 per sq. m. This demonstrates that a larger non food retailer such as B&Q does not support the same rental values per square metre compared to smaller retailers, partially due to their considerable warehousing/back up space. There should be allowances for quantum of development for individual large scale retail units. A lower rate should be applied over an appropriate threshold, for example, for individual units over 10,000 sqm. This approach is applied in other systems such as rating and indeed planning application fees which make allowances for quantum, recognising that costs to one individual operator can be prohibitive.
- 9 Applying the proposed levy of £150 per sq. m. to larger individual retail operators over 10,000 sq. m. will result in exceptionally high and unjustified levels of contribution, which will significantly influence potential investors' decisions and the viability of Worthing as a location for development.
- 10 If a different levy based on the scale of development is not considered appropriate, an alternative is to use a more specific category for large scale retail operators such as ~~large~~ large scale single occupier retail warehouse with significant warehousing/storage needs. This specific category would ensure that larger retail operators are allocated a fair and more reasonable levy which reflects the characteristics of larger retail units/warehouses and their lower valuation values and viability compared to smaller retailers. A reduced rate should be applied to such units.
- 11 Notwithstanding the above, if the Inspector believes a single levy for all retail is still appropriate, following a review of the neighbouring and surrounding local authorities it is considered that the proposed single retail levy of £150 per sq. m. is out of scale with the levy rates being proposed for other local authorities in the surrounding area, who have taken a more balanced and realistic approach. For example Lewes District Council and Horsham District Council are currently proposing a single levy for retail at a lower rate of £100 per sqm.

Question 14 – Should the schedule specifically exclude ancillary car parking in retail development

- 12 For the avoidance of doubt ancillary car parking in the form of under-croft and multi-storey car parking should be zero rated and specified as having a zero levy rate within the charging schedule.
- 13 In line with sustainable planning policies which promote the efficient use of land, developers are seeking to develop schemes which are flexible and make the best use of land. Many operators will therefore explore potential options for providing car parking and will seek to incorporate under-croft or multi-storey car parking within their schemes.
- 14 It would prejudice the best and efficient use of land if these forms of ancillary car parking were included within the Gross Internal Area (GIA) of retail or other commercial developments for CIL charging purposes, and would fundamentally impact upon the viability of potential schemes coming forward in Worthing.
- 15 Indeed, a valuation/rateable value for car parking is not included within the valuation assessments for schemes including under-croft/multi-storey car parking. Valuation information obtained from the Valuation Office web site for a range of schemes with under-croft parking is appended at Appendix 1 and illustrates that this form of car parking is not included within the valuation assessments.
- 16 The valuation evidence base in support of the proposed CIL charging schedule would not have included rateable values for under-croft/multi-storey car parking, and this form of car parking should therefore not be applicable to CIL charges.
- 17 An Inspector in his report on the examination of the Draft Barnet Community Infrastructure Levy charging schedule acknowledged that significant areas of car parking within a multi-storey building could generate a contribution which would jeopardise the viability of retail schemes. The Inspector went on to recommend that CIL charges on car parking spaces should be excluded and this change was supported by London Borough of Barnet Council. A copy of the Inspectors Report is appended at Appendix 2 and a copy of the adopted Barnet CIL charging schedule is appended at Appendix 3.
- 18 A zero rating for ancillary under-croft/multi-storey car parking should be clarified within the Worthing CIL charging schedule, as it is clear the evidence base for the charging schedule would not have included rateable values for car parking and under-croft/multi-storey car parking cannot therefore support the same viability assessment.