

**HOUNSLOW JOINT LOCAL PLAN EXAMINATION &
COMMUNITY INFRASTRUCTURE LEVY EXAMINATION**

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SESSION 14 – COMMUNITY INFRASTRUCTURE LEVY (Retail)

Inspector's Agenda with Matters, Issues, and Questions

*[The attention of participants in the hearing is drawn to the
Procedural Guidance Notes]*

1. RETAIL DEVELOPMENT - DEFINITION

- 1.1 The Draft Charging Schedule (CIL01) proposes a single CIL rate across the Borough for all convenience-based supermarkets or superstores and retail warehousing creating net additional space of over 280 sq m or where the gross retailing space is over 280 sq metres.
- 1.2 Footnote 1 further defines supermarkets/superstores. Footnote 2 defines retail warehouses as large stores specialising in the sale of household goods (such as carpets, furniture and electrical goods), DIY items and other ranges of goods, catering for mainly car-borne customers.
- 1.3 RPS considers that different styles of retail generate significantly different income and are able to support very different land and rental values. They consider that as a minimum retail warehouses should be distinguished from food supermarkets. The Viability Study suggests that at paragraph 6.29 that convenience based supermarkets and retail warehouses indicate a greater degree of viability than comparison retail.
- 1.4 The 280 sq m threshold corresponds to the Sunday trading floorspace threshold and has been endorsed elsewhere in CIL Reports. It is a pragmatic threshold with which retailers will be familiar. The Viability Study concluded that all other types of retail including smaller stores could support a maximum CIL of £81 in Hounslow Town centre and £208 in Chiswick town centre but that there were very limited opportunities for development. The Study recommended either a lower CIL rate or a nil or nominal rate. Outside these town centres other smaller retail uses were considered to only be able to support a nil or nominal rate. The schedule excludes smaller stores from the retail levy although the nominal £20 rate would still apply.

Qn1a. Is the definition of retail warehouses sufficiently clear and precise?

Qn1b. Unless further defined would 'other ranges of goods' include comparison items such as clothing, and shoes and is there viability evidence to exclude them?

Qn1c. If clothing and other comparison goods are excluded, how would mixed use developments of qualifying and non-qualifying goods be addressed?

Qn1d. For a retail park would it always be known at the date of determination what goods would be sold in which units?

Qn1e. Why is it necessary to define the goods to be sold in retail warehouses and to separate convenience stores from other development rather than to rely on floorspace alone?

Qn1f. Would the viability of development of units above 280 sq m vary between town centres and out of centre sites?

Qn1g. Does viability vary between convenience stores and other retail development and, if so should that be reflected in a different levy rate?

2. RETAIL DEVELOPMENT – VIABILITY AND LEVY RATE

2.1 A number of representations are critical of the Viability Study. In particular those from Morrisons (1068) (M), RPS Group (3276) (RPS), and Sainsbury's (390 – written representations) (S). Particular issues are identified below>

Uplift over Existing Use Value

- M – Critical of approach to viability testing for commercial developments as unrealistic. The assumed uplift over existing use value for the landowner is too low and arbitrary.
- LBH – Development would not come forward on sites that are more valuable in existing use. The assumed uplift of 15-20% is reasonable.

Qn2a. Is there any evidence to support a different level of uplift over existing use values?

Consultation

- M – There is a lack of detail as to who has been consulted.
- LBH – Stakeholder workshops have been held which exceeds the requirements of the regulations

Scale and Type of Retail Development Appraised

2.2 The Viability Study based its retail development appraisal on a 465 sq m (5,000 sq ft) convenience store.

- M – The analysis of the retail market lacks depth and needs to allow for different markets within the Borough. Only one typology has been tested (to develop a 465 sq m store). Stores of 1,500 sq m and 5,000 sq m should be modelled and with different locations.
- RPS – A lower rate should be applied above a threshold of 10,000sq m for an individual unit.
- LBH – The levy rate does not have to exactly mirror evidence and is conservative. Testing of a 1,500 sq m store suggests a maximum CIL of £191 per sq m which is above the proposed £155 levy rate. A 5,000 sq m unit would be within the same build cost threshold as a 1,500 sq m scheme. A 10,000 sq m unit has been tested which suggested a maximum of £219 sq m levy rate. There is no basis for applying a reduced CIL to larger units.

Qn2b. Will the Council please supply the evidence of the other typology appraisals that they have done?

Qn2c. Does a £191 maximum levy rate for a 1,500 sq m store indicate a reduced buffer of 23% against the claimed buffer of 30%?

Qn2d. Is there an explanation for why a 10,000 sq m store would have a higher maximum CIL of £219?

Factors in Appraisals

- M – The profit margin in the appraisals should be 25% not 20%.
- LBH – There is no evidence to support an increased profit of 25% on GDV

Qn2e. A 20% profit rate is widely used in such appraisals. Is there any evidence to support a different profit rate as typical for such development?

- M – Rental levels would vary across the Borough
- LBH – Rents do vary and are up to £65psf in Chiswick but there is no distinct geographical pattern. For the appraisal only lower end rents are assumed at £19psf.
- M – The assumed retail rents for existing use are too low at £8-11psf
- LBH – Existing retail uses are likely to be low value uses that would be replaced by new convenience stores.

Qn2f. What evidence is there to support (i) the existing retail rental values used in the Viability Study or (ii) any other existing retail rental values on sites that could be developed for stores of this type?

- M – The assumed demolition costs of £5psf are too low and should be £10psf.
- LBH - £5psf is reasonable and based on industry standards. There is no evidence to support a higher figure.

Qn2g. Is there any evidence to support a different demolition cost as typical for such development?

- M – The contingency allowance should be 10%, not 5%.
- LBH – 5% is a standard assumption and there is no evidence to support a 10% figure.

Qn2h. Is there any evidence to support a different contingency allowance as typical for such development?

- M – No allowance is made in the appraisals for abnormal costs of develop.
S – There should be an Exceptional Circumstances Policy to allow for abnormal costs making a development unviable.
- LBH – Abnormal costs cannot be predicted and may make some developments unviable. Costs associated with remediation should be taken into account in the land value. The Council has no plans to operate an exceptional circumstances policy. Development has been viability tested and the Council would review the levy rates should circumstances change.

Allowance for Existing Floorspace on Site

- S - The assumption that the equivalent of 50% of the floorspace of a new store would replace existing floorspace on site (and would thus be exempt from CIL) is arbitrary. Only a nominal levy rate should be applied to retail development.
- LBH - 50% existing floorspace is an appropriate assumption

Land Price

- M – The assumed land price of £238,396 for a 465 sq m convenience store is unrealistic when the average price of a single dwelling is £594,578
- LBH – This is an inappropriate comparison. Different CIL rates apply to residential development.

Qn2i. How likely is it that a convenience store would replace average value residential dwellings except as part of a mixed development that was previously in a lower value non-residential use such as industry?

Section 106 Contributions

- M – The £5psf allowance for S106 contributions is not supported by evidence
- LBH – S106 costs would be site specific and are likely to vary from site to site. A £5psf figure is reasonable.

Qn2j. What evidence is available from previous S106 contributions that may indicate an average S106 sum?

Qn2k. What items for CIL spending on the Regulation 123 list would replace S106 contributions for retail or other commercial development?

Instalments

- S – the Viability Study assumes payment in 3 instalments and the Council should therefore commit to that.
- LBH – The Council intends to operate an instalments policy but this is not required for the examination.

Qn2l. Would the absence of an instalments policy affect (i) the outcome of the viability study? and (ii) the size of the claimed buffer of the proposed levy rate below the maximum levy rate?

Overall Viability

- M/RPS – £155 charge for retail development is unrealistic and will affect viability and deter investment
- S – Viability testing insufficiently robust.
- LBH – Viability Study suggests only a modest 2.2% of Gross Development Value. S106 costs will be scaled back after the adoption of the CIL levy. There would also be a 30% buffer below the maximum CIL that could be supported.

Qn2m. Would there be a sufficient buffer to allow for variations in costs and values without significantly affecting delivery of the Local Plan's objectives?

3. CHARGEABLE FLOORSPACE - CAR PARKING

- 3.1 Whereas surface car parks would not be buildings subject to the levy, several Representors (S, RPS and Costco) with an interest mainly in retail development are concerned that the levy would apply to covered parking in basements or multi-level car parks and argue that it should be excluded on the grounds that it is excluded from Valuation Office rating assessments and has been excluded after some other CIL examinations.
- 3.2 The Council responds that parking would be charged at a nominal rate for commercial and residential development and that a charge is justified as such parking adds to the value of such development.

Qn3a. Does the Viability Study make any allowance for the costs of constructing covered parking?

Qn3b. Would covered parking add any more value to a retail development than surface parking which would not be subject to the CIL levy but which would require more land?

Qn3c. Is the schedule clear as to whether covered ancillary parking for a development would be charged at the full rate for that development or at a nominal rate?

Qn3d. Is there any evidence that the CIL levy on covered parking would affect viability of retail or other development?