

# Community Infrastructure Levy: Gosport Draft Charging Schedule

## Statement on Issues and Questions

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Question 2: *Does the evidence support the following:*

- *the assumed achievable supermarket rental levels?*
- *the level of the assumed building and external works costs?*
- *the assumed development duration for retail warehousing?*

Date: 23<sup>rd</sup> February 2015

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**GOSPORT**  
Borough Council

## 1. **The assumed achievable supermarket rental levels**

1.1 Appendix 13 of AI Viability Report (Document CIL 5) demonstrated the range of evidence and sources of information that was used to inform the viability report. The supermarket rental levels used are considered to be well researched and appropriate based on the available evidence.

1.2 It is noted that in CIL Rep 11- Barton Wilmore recommends £151 per m<sup>2</sup> compared to the £162 per m<sup>2</sup> rate used by AI. This is a relatively small difference and the consultee does not produce any evidence to support their assertion. Adequate buffers have been allowed not to put development at risk.

1.3 Furthermore it is widely recognised that for commercial reasons the accurate analysis of supermarket lettings, in particular, are rarely fully disclosed. The level of rent agreed will be linked to a wide range of terms that might include rent free periods, stepped rental deals, capital contributions and other 'trade-off's the developer might agree to, in order to secure a higher head-line rental figure with the tenant. This being because the higher the rental figure achieved, the higher the value of the investment when the developer comes to sell it.

1.14 These factors have been taken into consideration. The evidence supports the rental levels used.

## 2. **The level of the assumed building and external works costs**

2.1 The assumed building and external works costs are drawn from the industry standard Building Cost Information Service [BCIS] produced by the Royal Institution of Chartered Surveyors. The index is robust and widely used in this role to produce current and geographically adjusted construction costs based on actual data collected from the market place. Therefore it is drawn from actually completed developments

rather than from desk top cost analysis. It is analysed on a like-for-like basis.

2.2 The assumed costs used by AI are for the market norm whereby the developer constructs the shell of the building and completes the external works. The tenant is then left to fit-out and these costs are not included.

2.3 The assumed costs used are therefore evidenced and robust.

### 3. **The assumed development duration for retail warehousing**

3.1 The duration of any development is unknown at the outset. Therefore an approximation is required which is based on the assumption that the development commences at the stage when construction starts being 2-3 months after the expiry of a Judicial Review period following the grant of planning permission. It is also assumed that the developer is motivated to commence and complete the construction phase as quickly as possible. It is also assumed that in a multi unit development some units may be pre-let and some may take a longer marketing period after practical completion, before letting completes. Therefore approximations are arrived at in order to predict the development duration and hence the finance costs for any period before the final investment can be sold when the developer crystallises its profit.

3.2 Retail warehouses are usually straight forward steel portal framed buildings with sheet cladding with some design features at the customer entrance. Whilst there may be some additional ground works necessary and possibly a longer marketing period in certain cases, the 18 month project duration is considered reasonable for a properly managed and incentivised development.

3.3 It is not appropriate to allow for site specific circumstances for the purposes of setting CIL Levels. Nevertheless the evidence used has allowed an adequate contingency and margins to ensure a suitable buffer so that the proposed CIL rate does not put development at risk.