Our Ref: CTE

5th July 2013

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Dear Sarah,

SWINDON CIL VIABILITY WORK - POINTS OF CLARIFICATION

In reply to your e-mail dated 27th June, I detail bellow our answers to the questions posed:-

<u>Question 1</u> *Document Location: CIL Development Viability Study for SBC June 2012 by GVA*

Q: What is the level of CIL that underpins the Appraisal Results tables in Appendix C p.66-157 generally (and more specifically for the 0.00% v 0.00% scenarios) - is this one £55 per sq m?

A: The appraisal results tables show the amount that is available for CIL, assuming that it is paid at the commencement of the development. This figure is then analysed to show what it would be if expressed as a CIL i.e. £ per sq m of private housing.

<u>Question 2</u> *Document Location: Additional Residential Testing & Analysis 28th March 2013 by GVA - Section 3 Tables*

Q: What is the generalised Affordable Housing scenario that underpins these tables (e.g. 70/30 Affordable Rent to Intermediate)? How do they relate back to the original set of tables in Appendix C of the main 2012 report?

A: We have looked at the figures for a 70/30 split (70% social rent or affordable rent & 30% intermediate) and for a 60/40 split (60% social rent or affordable rent & 40% intermediate). The results shown in Tables 7 – 14 are based on a blended average of the four receipts i.e. it gives a mid point between the residual land value based on the highest outcome (60% affordable rent 40% intermediate) and the lowest (70% social rent 30% intermediate).

<u>Question 3</u> *Document Location: CIL Development Viability Study SBC June 2012*

Q: In the scenario testing for schemes 1-5, was the s106/CIL cost subject to any deferred or phased payment or did the testing insert this as a 100% payment on commencement of development?

A: No - 100% payment on commencement of development was assumed.

<u>Question 4</u>

Q: Why did GVA as part of the Retail Testing Update not test retail scenario that was based on leasehold (and not freehold land ownership) circumstance, when it is commonly known that supermarket retail operators often operate under such an arrangement, and the cost associated with such a scheme would be very different making the scheme less viable?

A: It is incorrect to say that our appraisals relate only to values and land values generated from owner-occupier deals. As can be seen from the individual appraisals for a developer led scheme, we have assumed that there would be a lease in place hence the reference to a rent payable as from practical completion of the building, to a rent free period and allowance for the cost of letting (agent and legal). This is the identical approach to our testing for other commercial uses.

We consider that the retail testing which has been done is extensive and sufficient. Clearly there will be sites where the circumstances mean that a particular level of CIL threatens viability but the Council has chosen a figure for large supermarkets which is significantly less than that which could be afforded. I am not sure what the reference to sunk costs is intended to mean. For an economist sunk costs are historic, and should not be taken into account when deciding whether to proceed with a new project. Clearly if there is an existing building then the value of it would be relevant to the decision as to whether to proceed, but it may not be the only determinant. I would also note that it is very likely with the change being suggested by DCLG to remove the vacancy test, a developer will be able top offset all of the existing floorspace.

Question 5

Document Location: CIL Development Viability Study: Additional Retail Testing SBC 22nd March 2013

Q: In table 1 of section 2 on p.4 scheme 14 scenario tests a 5,000 sq m on a Gross site area of 2.02 ha. WYG questioned the validity of this scenario that would appear to undermine the viability outputs. WYG further commented that a 5,000 sq m foodstore would be unlikely to come forward without a petrol filling station.

A: We consider our assumed site area for each of the scenarios to be appropriate. They were not questioned at the CIL Examination for Greater Norwich Development Partnership where Asda was represented, and Sainsbury's and Morrisons made written representations.

We accept that a petrol filling station can often be included, but this is not universal. Where it does then additional land is usually required, c 0.24 ha, and there is an additional construction cost, c £800,000 - £1m. However, it is our experience that when sites include a petrol filling station then the capital value is enhanced, and the additional costs of land and construction are matched and exceeded. We can produce appraisals which include a petrol filling station, however, this is would not show a materially different outcome, especially given the margin which is present. Given the higher build costs and additional land, then CIL when expressed as a percentage of Costs, see Tables 7 and 8 would be different, but I have not sought to establish the alternative figures.

I hope that this provides you with the responses you need, but please feel free to call or email if you need additional information.

Yours sincerely,

CHARLES TRUSTRAM EVE
RICS Registered Valuer
Director

For and on behalf of GVA Grimley Ltd