Report

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CIL Economic Viability Assessment

Camden Borough Council

September 2012

Camden

Contents

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For and on behalf of GVA Grimley Ltd

Executive Summary

Overview

Camden Borough Council (the Council) adopted its Core Strategy (the Strategy) in November 2010. The Strategy is the central document in the Council's Local Development Framework. It sets out the overarching spatial vision as well as the spatial objectives and core policies that will deliver that vision across the Borough to 2026.

The Core Strategy sets out that in the order of 12,250 additional homes will be provided in Camden between 2010/11 and 2024/25. Over 60% of the 12,250 additional homes in the Borough will be provided in the key growth areas, which are identified as King's Cross, Euston, Tottenham Court Road, Holborn and West Hampstead Interchange. Circa 80% of the new business floorspace and two thirds of retail will also be located in these growth areas. The Council anticipates that student housing will make up most of Camden's supply of non self-contained homes.

Outside the key growth areas, development will be focused in other highly accessible locations, such as Central London and the town centres of Camden Town, Finchley Road / Swiss Cottage, Kentish Town, Kilburn High Road and West Hampstead.

The Council will seek to negotiate an affordable housing contribution from specific development proposals of 50% of the total addition to housing floorspace, subject to site-specific considerations. Camden's Development Policies give more guidance on how the 50% target will apply, and include a sliding scale from 10% to 50% for the affordable housing percentage in developments with capacity for fewer than 50 dwellings. The Council has set guideline percentages for the split of affordable housing at 60% social rented and 40% Intermediate affordable housing.

The Council has published a Housing Implementation Strategy, which sets out how Camden will manage delivery of housing in the Borough over the period (2011-2016). It is supported by evidence including:

- Camden Housing Needs Study Update 2008
- Greater London Strategic Housing Market Assessment 2008
- Camden Affordable Housing Viability Study 2009
- Camden Annual Monitoring Report 2010/11

This report details the Preliminary Results of a series of Economic Viability Assessments that we have undertaken on behalf of the Council to enable the Council to identify the potential margin for CIL payments.

This report is focused solely on viability and does not consider the Council's Infrastructure requirement.

Method

GVA has drawn on both primary and secondary evidence sources in order to test the viability of CIL in Camden.

This work has taken the form of quantitative viability testing of a series of development schemes and scenarios, both with and without affordable housing grant and assuming current and future costs and values, in order to identify the levels of viability for future development. We have developed the scenarios to be tested and the base assumptions in discussion with officers to ensure that they are reflective of the development which it is anticipated will be promoted.

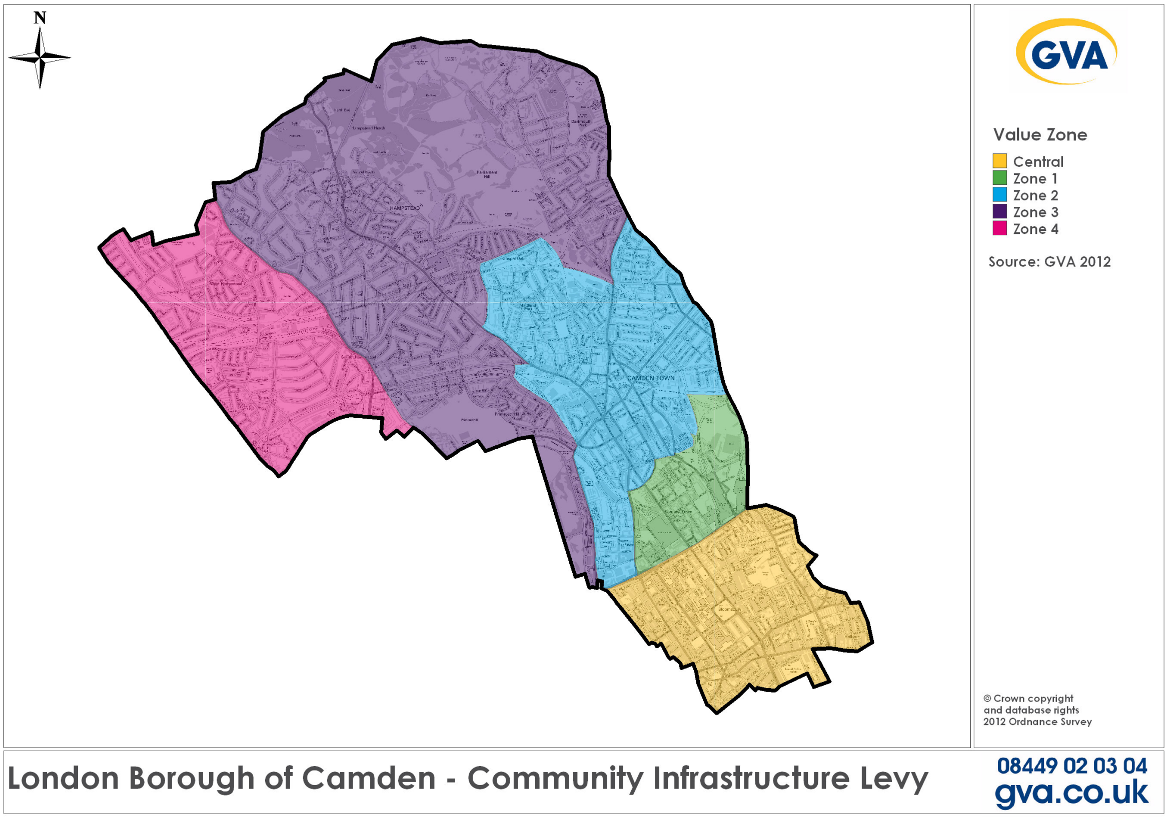
Development Market Context

It is evident from market analysis, including the extensive work undertaken for the Affordable Housing Viability Study, that different land and sales values for development broadly apply in various locations throughout the area. The viability testing takes account of this variation by dividing the Borough into different Market Value Areas for residential scenarios. We have also used these Market Value Areas for all other uses tested.

Not all schemes within a given Market Value Area will be equally viable, and the figures used for viability assessment are effectively averages. It must be anticipated that there will be schemes, even within higher Value Areas, that are marginal due to site specific circumstances and/or abnormal costs over and above those tested.

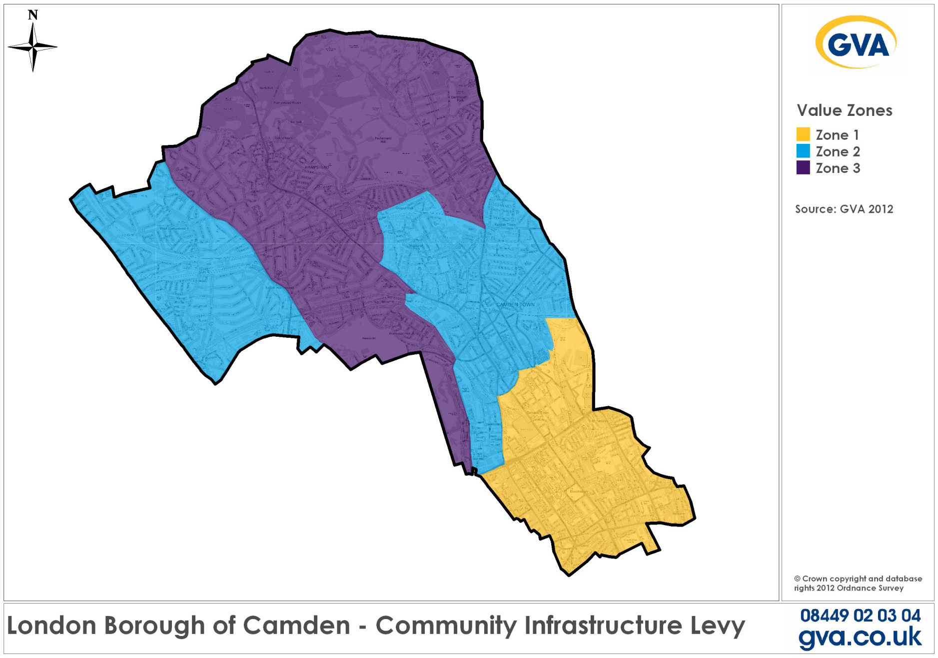
Scope for CIL in Camden

Our analysis suggests that the Council could implement a CIL system incorporating 5 CIL Charging Zones as identified in the map, with the charges set at the levels shown in the table below.



Type of Development	Maximum CIL Tariff per sq m				
	Central Zone	Zone 1	Zone 2	Zone 3	Zone 4
Residential below 10 dwellings	£500	£500	£500	£500	£500
Residential above 10 dwellings	£150	£150	£250	£500	£250
Residential Care Homes	n/a	£150	£250	£500	n/a
Retail & Other Use Class A , Use Class D2 and Commercial Leisure uses such as nightclubs	£25	£25	£25	£25	£25
Office	£45	£45	£25	£25	£25
Student Housing	£175	£550	£550	£400	£400
Hotel incl holiday hostels	£40	£40	£30	£30	£30
General Public Service Buildings	Nil	Nil	Nil	Nil	Nil

The guidance from the DCLG sets out that an area-based approach involving a broad test of viability should be used; and that CIL Charging Authorities should avoid 'undue complexity, and limit the permutations of different charges that they set within their area'. We therefore suggest that the Council considers merging Central Zone and Zone 1, and Zone 2 and Zone 4, to create three CIL Charging Zones, as shown below.



Type of Development	Maximum CIL Tariff per sq m		
	Zone 1	Zone 2	Zone 3
Residential below 10 dwellings	£500	£500	£500
Residential above 10 dwellings	£150	£250	£500
Residential Care Homes	£150	£250	£500
Retail & Other Use Class A , Use Class D2 and Commercial Leisure uses such as nightclubs	£25	£25	£25
Office	£45	£25	£25
Student Housing	£175	£400	£400
Hotel incl Holiday Hostels	£40	£30	£30
General Public Service Buildings	Nil	Nil	Nil

Expressing this as a draft Schedule would show:

Maximum CIL Tariff (per Sq M)	Type of Development
Band 1	
£500	• Residential below 10 dwellings • Residential above 10 dwellings (Zone 3) • Residential Care Homes (Zone 3)
Band 2	
£400	• Student Housing (Zones 2 & 3)
Band 3	
£250	• Residential above 10 dwellings (Zone 2) • Residential Care Homes (Zone 2)

Maximum CIL Tariff (per Sq M)	Type of Development
Band 4	
£175	• Student Housing (Zone 1)
Band 5	
£150	• Residential above 10 dwellings (Zone 1) • Residential Care Homes (Zone 1)
Band 6	
£45	• Office (Zone 1)
Band 7	
£40	• Hotel incl holiday hostels (Zone 1)
Band 8	
£30	• Hotel incl holiday hostels (Zones 2 & 3)
Band 9	
£25	• Retail, Restaurants, Bars, Cafes, Use Class D2 and Commercial Leisure uses such as nightclubs • Offices (Zones 2 & 3) • All other uses not separately identified within the Schedule
Band 10	
Nil	• General Public Service Buildings such as libraries, advice centres, health centres, education & training facilities provided by/funded by the public sector

Please note that these figures represent the maximum CIL payable adopting the tests that we have applied. The Guidance from DCLG and comments from Examiners stress that the CIL should not be set at the limit of viability.

We recommend that the Council conducts a review in 2016 of the adopted CIL charges. The review should assess the response by the local market, land owners and developers to the changes brought about by CIL, as well as the implications of the announced public capital funding cuts. Alternative infrastructure funding methods should be more fully explored, and the impact of the move to Zero Carbon (scheduled to be introduced in 2016) on building costs and possible sale values and rents should be considered. At the present time it is not certain what these changes will be, and therefore what the value and costs implications might be.

1. INTRODUCTION

Overview

1.1 GVA has been instructed by Camden Borough Council (the Council) to give viability advice on a potential Community Infrastructure Levy (CIL) for different uses across the Borough. This includes advice on the impact on the viability of CIL of affordable housing percentage requirements and tenure splits; the impact of the availability of grant funding; and current and future costs and values.

1.2 Our Brief from the Council requires the following:

- To enable the Council to understand the viability of the different types of development in different parts of the Borough;
- To assess the potential for different types of development in different locations across the Borough to accommodate CIL;
- To provide advice to the Council to support the production of a CIL Charging Schedule;
- To provide a clear, robust Evidence Base.

1.3 The appraisals undertaken for this work do not constitute valuations, and should not be regarded or relied on as such. They provide a guide to viability in line with the purpose for which the assessment is required.

1.4 The underlying principles for assessing the viability of a CIL are to ensure that the assessment:

- Reflects and is based upon the character and scale of developments common in the area both now and those likely in the future, i.e. against scheme designs that, while notional, are realistic, and which reflect the current and future proposed policy environment;
- Considers viability for the area as a whole, but is also able to distinguish differential impacts that may arise due to the range of values and costs across the area;

1.5 In accordance with the Brief and the above, we have taken the following approach;

- Undertaken a market review, which builds on the comprehensive research carried out for the Affordable Housing Viability Study (2009), and underpins the Study. We have included a summary of the market review in the main body of the Report, and a copy of the full version in Appendix B.
- Developed an understanding of the likely nature of new development in Camden over the LDF plan period;
- Undertaken development appraisals in order to understand and assess the impact on viability of various affordable housing splits;

- Undertaken development appraisals in order to understand how much CIL could be payable by future development across the Borough, having regard to what development in the Borough can reasonably afford to contribute given policy requirements such as Code for Sustainable Homes and affordable housing, as well as potential sales values.

Report Structure

1.6 Following this introductory section, the Report is set out as follows:

- **Section 2** – Sets out our approach and methods used to test and assess the viability of CIL, including a summary of our property market review;
- **Section 3** – Examines the results from the viability assessments for CIL;
- **Section 4** – Details our conclusions and principal recommendations; and
- **Technical Appendices** –Provide the underlying data sets, background sensitivity analysis and supporting material.

2. APPROACH AND METHODOLOGY

Introduction

2.1 In this section we define the scope of our viability assessment and summarise our adopted approach. We consider the following:

- Our Overall Approach;
- The Appraisal Model we have used;
- The Development Typologies we have used;
- The Development Assumptions we have made;
- How we have established Benchmark Land Values; and
- How we have established Market Value Areas.

Overall Approach

2.2 The principal objective is to determine what levels of CIL may be viable within the Borough. The objectives in assessing affordable housing and CIL contributions are:

- To undertake a high level appraisal, rather than a detailed analysis of individual sites or schemes;
- To assess the potential overall level of CIL by testing key "what if" questions. This is done by varying a number of underlying assumptions such as affordable housing percentages and market conditions - particularly where there is uncertainty; and
- To use this analysis to assess potential CIL levels on the basis of clearly reasoned evidence.

Appraisal Model

2.3 To determine development viability, a Residual Development Appraisal Model has been used (Figure 1). The Model assumes that land value is the difference between Gross Development Value and the build costs, once an element of developer profit has been taken into account.

2.4 Through the use of the Model, the impact of differing levels of CIL on land values and scheme viability can be examined. The Gross Residual Value i.e. the land value without any allowance made for planning contributions, is taken as a 'starting point', with the Net Residual Land Value being equal to the land value once all planning contributions, including affordable housing, have been taken into account.

Figure 1: Outline of Residual Development Model

GROSS DEVELOPMENT VALUE

(minus)

TOTAL COSTS

(minus)

DEVELOPER'S PROFIT

=

RESIDUAL LAND VALUE

- **Gross Development Value** - includes all income generated by the development, including temporary revenue and grant (for example payments by HCA through the National Affordable Housing Programme);
- **Total Costs** – include construction costs, fees, planning, finance charges, and also payments under S.106, S.278, the Crossrail CIL, and CIL;
- **Developer's Profit** – is expressed by reference to the Gross Development Value, to the Total Costs, to the Cost of Capital Employed or to an Internal Rate of Return.

Establishing Development Typologies

2.5 In order to test the viability of the potential level of a CIL charge, twenty hypothetical development schemes (Development Typologies) representing the scale, nature and characteristics of current and future development envisaged to come forward across the Borough have been created in partnership with the Council. These Typologies include both residential and non-residential uses.

2.6 The residential Development Typologies are summarised in Table 1, non-residential Typologies in Table 2, and commercial Typologies in Table 3. Full details of each of the Development Typologies are included in Appendix A.

Table 1: Summary of the Development Typologies: Residential

Typology	Land Uses
Scheme 1	1 House
Scheme 2	2 Flats
Scheme 3	4 Houses
Scheme 4	6 Flats
Scheme 5	10 Flats
Scheme 6	25 Flats
Scheme 7	50 Flats
Scheme 8	100 Flats
Scheme 9	150 Flats

Table 2: Summary of the Development Typologies: Mixed Use

Typology	Land Uses
Scheme 10	4 Flats, 145 sq m Office
Scheme 11	8 Flats, 300 sq m Office
Scheme 12	30 Flats, 500 sq m Office
Scheme 13	150 Flats, 30,000 sq m Office
Scheme 14	8 Flats, 300 sq m Retail
Scheme 15	15 Flats, 600 sq m Retail
Scheme 16	30 Flats, 600 sq m Retail
Scheme 17	100 Flats, 10,000 sq m Office

Table3: Summary of the Development Typologies: Commercial

Typology	Land Uses
Scheme 18	Office – 1,250 sq m GIA
Scheme 19	Hotel – 150 beds
Scheme 20	Student Accommodation – 250 Rooms

2.7 The Development Typologies represent a range and mix of land uses that are proposed in accordance with the Council's Core Strategy vision and objectives.

Model Assumptions

2.8 A set of standardised assumptions reflecting build costs and fees, contingencies, profits, finance rates, etc. have been used to enable clear and straight-forward comparison of the outcomes of the viability testing. A summary of the main assumptions are set out in Tables 5 and 6.

2.9 The assumptions used in our model come from a number of sources:

- National and regional development appraisal toolkits (HCA EAT, GLA Three Dragons);
- Schemes which have recently been appraised by the Council and its external advisors as part of affordable housing / S.106 negotiations;
- Our own experience of working with developers in London; and

- Our own experience of advising Councils, including the GLA, and private clients on affordable housing / S.106 development viability negotiations within London.

2.10 These standardised assumptions may differ in some cases from the figures used in actual development schemes, but we believe they align with normal or usual figures expected in the majority of developments and we have readily available evidence to support their use in a Camden context.

Summary of Appraisal Assumptions

2.11 We have set out our development model assumptions in full in the Tables overleaf, but would also note the following general assumptions:

Build Costs

2.12 Build costs are adopted based on our experience and average costs suggested by the Building Cost Information Service (BCIS). We have made an assumption that private and affordable housing is built to meet the London Plan and Camden's Core Strategy Requirements, including CPG2 Housing.

Affordable Housing

2.13 For the residential elements of each Development Typology to which affordable housing would apply under the Council's current policy, we have assumed a tenure split of 60:40 Affordable Rent to Intermediate housing. The Council has a policy that applies affordable housing on a sliding scale, starting with 10% for 10 dwellings rising to 50% for 50 dwellings or more. The scale does not apply in the case of mixed use developments.

2.14 Where it is impractical to include affordable housing on a site, the Council seeks a financial contribution to construct affordable housing elsewhere (in 2010/11 this amounted to over £800,000). We have assumed that all affordable housing is provided on site.

2.15 Under the current National Affordable Housing Programme which runs until 2015, it is not intended that grant be used for affordable housing delivered as part of a S106 Agreement. Our viability testing as at 2012 therefore assumes no grant is available. Our testing as at 2016 has also been on the basis of no grant.

Values & Costs

2.16 Sale and rental values have been reviewed across Camden and are summarised in Tables B1 to B4, in Appendix B.

2.17 The affordable housing values that are to be applied have been discussed and agreed with the Council. These values reflect the Council's position in respect of Affordable Rent, as well as general concerns that affordable housing of any tenure must be affordable for local residents. As noted, we have assumed that there is no grant available for affordable housing.

2.18 We have made an allowance for the costs of on-site preparation works which are necessary in order to bring forward a site. The costs are up to £54 per sq m (£5 per sq ft) of development, and include costs such as demolition, archaeology, estate roads, highways and site levelling etc.

2.19 Both a current 2012 market and a future 2016 market have been identified and these form two distinct viability testing scenarios. 2016 has been chosen as a future scenario: (1) as it is anticipated that this is when CIL will have been introduced by the Council and (2) it fits with the Council's 5 year land supply.

2.20 The most recent BCIS forecast (June 2012) predicts that building costs will rise by c 11% to 2016.

2.21 The HM Treasury Comparison of Independent Forecasts (February 2012) contains forecasts up to 2016, including UK house prices. These suggest that nationally house prices will increase by c 7% by the end of 2015 and by c 13% by the end of 2016. Savills in its most recent forecast (April 2012) anticipates that prices in Prime Central London may increase by c 15% by the end of 2015 and by c 22% by the end of 2016, whilst Knight Frank forecasts that prime central London prices will rise by 24% by the end of 2016 (October 2011). Our forecast for house price inflation suggests that prices in London may increase by c 12% by the end of 2015.

2.22 The forecasts for commercial property are based on work by Real Estate Forecasting Limited and our in-house research team.

Table 4: Forecast for Commercial Properties

Capital Growth (% growth)	2012	2013	2014	2015	2016	2012-15	2012-16
Standard Shops							
Central London	2.5	3.2	3.5	3.7	3.8	13.5	17.8
Rest of London	-4.1	-0.7	1.5	2.8	3.5	-0.6	2.8
All Standard Shops	-4.6	-0.4	1.5	2.3	3.0	-1.3	1.7
Standard Offices							
Central London	2	2.4	2.9	3.3	3.7	11.0	15.1
Rest of London	-2.3	-1.5	-0.2	0.7	1.2	-3.3	-2.1
All Office	0	1.3	2.3	2.8	3.2	6.5	9.9
All Industrial	-4.0	0.4	1.8	2.2	2.5	0.3	2.8

Nominal Rental Growth (% growth)	2012	2013	2014	2015	2016	2012-15	2012-16
Standard Shops							
Central London	2.7	2	2.3	2.9	3.2	10.3	13.8
Rest of London	-1.7	-0.2	1.5	2.6	3.1	2.2	5.3
All Standard Shops	-1.2	-0.4	1.3	2.2	2.6	1.8	4.5
Standard Offices							
Central London	2.1	2.3	2.6	3	3.3	10.4	14.0
Rest of London	0.9	1.2	1.6	2	2.2	5.8	8.1
All Office	1.4	1.7	2.3	2.8	3.1	8.4	11.8
All Industrial	-1.3	-0.4	1.5	2.5	3.1	2.4	5.5

Source: Real Estate Forecasting Limited, GVA

Development Scenarios

2.23 We have assumed that sites are vacant, and owned freehold without material encumbrances. We have assumed that planning permission and all other necessary consents have been granted.

2.24 We have made an allowance for different densities of development as provided for in the London Plan (2011) and as demonstrated through the planning consents granted, which can often be at greater densities than the parameters provided for in the Plan. These are reflected in our assumed benchmark land values.

S.106

2.25 We have been instructed to assume that the Council continues to charge S.106 costs, but at a lesser rate. In consultation with Officers we have assumed that the S106 charge will be c £ 1,700 – 4,000 per dwelling, which is c 50% of the charge that would currently apply for each of the development scenarios.

Crossrail Contributions

2.26 We have made allowance for the CIL payments due for Crossrail and where appropriate for payments under the Supplementary Planning Guidance on *Use of Planning Obligations in the Funding of Crossrail.* We have assumed that the entire floor area of the new development is subject to CIL, and that there is no off-set for the floor area of any building(s) on-site that may have been in lawful use prior to the development commencing (Regulation 40).

Table 5: Viability Model Principal Cost and Market Assumptions: Residential & Mixed Use

	Current Market (1Q 2012)	Future Market (2016)
Affordable Housing Split	25% & 50%/sliding scale	25% & 50%/sliding scale
Affordable Tenure Split	60:40 Affordable Rent: Intermediate	60:40 Affordable Rent: Intermediate
Grant Assumption	No grant	No grant
Ground Rents	£250 per annum (6% yield)	£250 per annum (6% yield)
Enabling Costs	Up to £54 per sq m	Up to £54 per sq m
Contingency	5%	5%
Professional Fees	10%	10%
Finance Rate	6.75%	6.75%
Profit	20% of GDV	20% of GDV
Residential Build Costs *	£1,554 - £3,000 per sq m	+13%

*Private and Affordable dwellings (dependent on height / density)

Table 6: Viability Model Principal Cost and Market Assumptions: Commercial

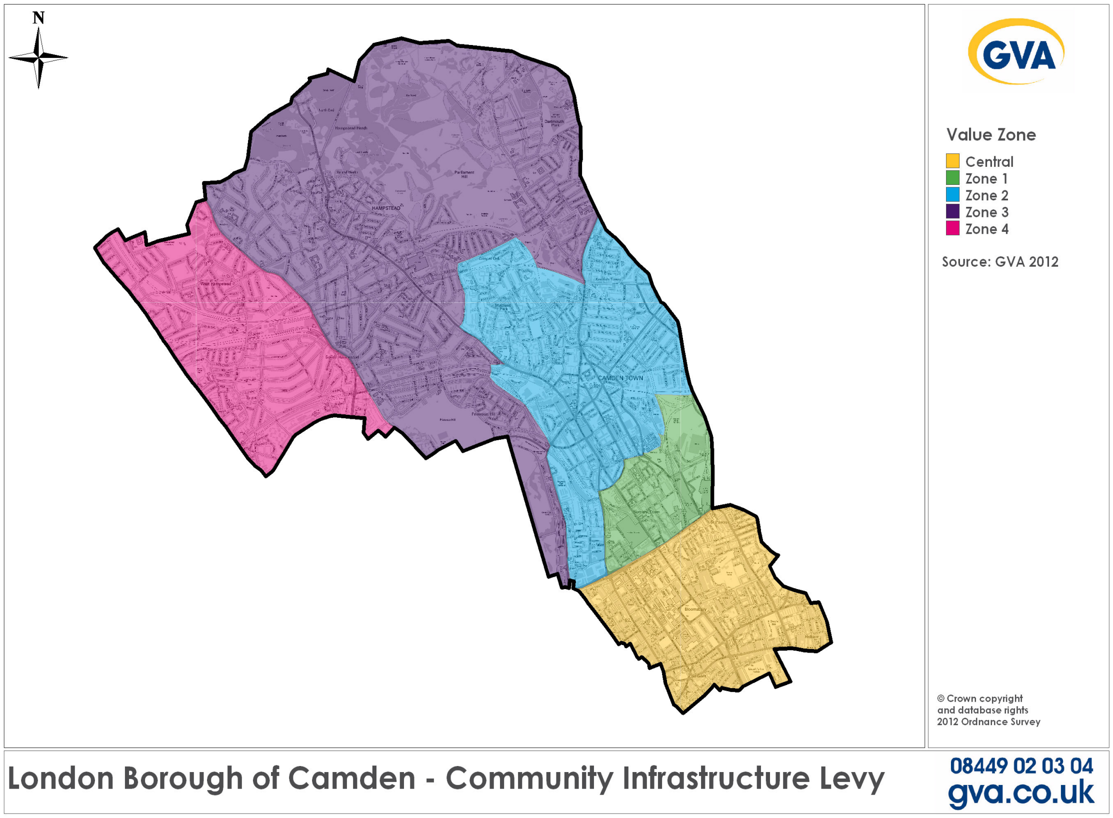
Use	Offices	Retail	Hotel	Student
Build Costs per sq m (2016)	£1,700 – £2,000 (+13%)	£1,200 (+13%)	£1,200 – £1,775 (+13%)	£1,600 (+13%)
Contingency (2016)	5% (5%)	5% (5%)	5% (5%)	5% (5%)
Professional Fees (2016)	12% (12%)	12% (12%)	12% (12%)	10% (12%)
Finance Rate (2016)	6.75% (6.75%)	6.75% (6.75%)	6.75% (6.75%)	6.75% (6.75%)
Profit (2016)	20% on Costs (20% on Costs)	20% on Costs (20% on Costs)	20% on Costs (20% on Costs)	20% on Costs (20% on Costs)

Residential Value Areas

2.27 Residential values are not uniform across the Borough, therefore we have drawn up different 'Value Areas' in order to more accurately test the viability of different CIL charges in each area individually. The nature and scale of development likely to come forward varies across these Value Areas, and for this reason, not all Typologies will be tested in all Zones.

2.28 Not all schemes within a given area will be equally viable, and the figures used for viability assessment are effectively averages. It must be anticipated that there will be schemes, even within higher Value Areas that are marginal due to site specific circumstances and abnormal costs. We set out below a Value Area map for these residential areas.

Map 1.Camden Residential Market Value Areas



Benchmarks

2.29 Establishing the Benchmark against which to compare viability appraisal results is one of the most significant challenges in reviewing the viability of a tariff. The Benchmark represents a judgement on the level of value required in order to incentivise a landowner to sell land for development. There is little practical guidance to support this judgement, however a number of factors are relevant in guiding the Benchmark including:

- Landowners expectations including the level of premium necessary to incentivise sale;
- Developer competition driving values upwards in securing land through option or purchase;
- The effect of grant availability (if any) for residential development schemes;
- Planning appeal case decisions concerning the viability of a development scheme;
- Emerging approach adopted by CIL charge setting Authorities and the CIL Examiners;
- The guidance suggested by the Local Housing Delivery Group;
- Guidance that has just been issued by the RICS in respect of viability for planning applications;

- The usual practice within London when assessing the viability of planning applications using the GLA Toolkit and guidance from the GLA and the Council.

2.30 We have assumed that landowners would expect a premium to be realised above the Existing Use Value of a site on selling the site for residential development. We have, taking into account the findings of recent Examination hearings on other CIL studies such as the London Lord Mayor's, a recent report by the Local Housing Delivery Group (Viability Testing Local Plans, June 2012) and discussions with our Residential Land Team, assumed that this incentive is 20% above Existing Use Value (EUV), and that this represents a premium which would be enough to incentivise a landowner to dispose of their landholdings.

2.31 It is anticipated, based on the Annual Monitoring Report 2010/11 and the Draft Submission Site Allocations DPD as well as discussions with Officers that the majority of development will be brought forward on land that is either currently predominantly in a mix of employment uses, including retail, or used for storage and community uses. We have therefore sought to assess the effect of the potential CIL rates by reference to prevailing Employment Values for each Value Area plus a premium (20%). In those cases where the existing use is residential then it is anticipated that the base value will be modest and would not be high value modern development at high density. We therefore consider that the high base value that has been adopted will also cover many such cases. In all examples it is assumed that the new development will be at a greater density; and in the case of the residential schemes will involve a change of use.

2.32 It should be noted that in those instances where there are existing buildings of a similar size to the proposed scheme then it is possible that little or no CIL is payable so long as the occupation test under Regulation 40 (10) is met; DCLG has announced that amongst the changes to be made to the Regulations later in 2012 will be an amendment to Regulation 40(10) removing the requirement that the use be for a continuous period of six months.

2.33 We have sourced prevailing values from analysis of the current situation in Camden and corroborated them through Valuation Office Agency data, our own Agency Team knowledge of transactions in the Borough, and as well as discussions with the Council's external S.106 Viability advisors.

2.34 In the case of the small schemes we have applied a test based both on average employment land values, and also based on assumptions as to the existing floor area against which we have applied an employment use value per sqm.

2.35 The VOA no longer publishes its Tables for average development land values. Below are the most relevant employment and residential land values it advised over the five years up to 2009, the last date it published the data.

Table 7: VOA Land Value Data

	July 05	July 06	July 07	July 08	July 09
	Max £ per ha	Max £ per ha	Max £ per ha	Max £ per ha	Max £ per ha
Industrial - Islington	£1.85m	£1.85m	£2.7m	£2.7m	£2.2m

B1 - London	£3.8m	£4.5m	£5.2m	£5.745m	£4.136m
Residential - Camden	£18.375m	£18.375m	£23.23m	£16.9m	£14m

Table 8: GVA Adopted Benchmark Land Values excluding Premium or Discount

	Employment Land Value	
VALUE AREA:	**per Hectare**	**per Acre**
Central	Up to c.£74m	Up to £30m
Zone 1	c.£17.3m	£7m
Zone 2	c.£9.9m	£4m
Zone 3	c.£9.9m	£4m
Zone 4	c.£9.9m	£4m

2.36 The Affordable Housing Viability Study in 2009 applied an employment land value of between £2.4 million and £5.75 million per hectare and a residential land value of £20.2 million per hectare. As can be seen, the Base Land Values that we have adopted are materially greater than those suggested by an application of the VOA data and those applied in 2009 for the Affordable Housing Study. It needs to be recognised that whilst the values for new development can be very significant for a range of uses, this is usually within areas where the prevailing/current use values are also high, and where there can be significant value attributed to existing buildings.

Additional Analysis

2.37 We have also assessed the ability of the proposed uses to accommodate a CIL charge by reference to two other tests:

1. CIL as a percentage of the total development costs of the assumed scheme
2. CIL as a percentage of the completed value of the assumed scheme

These are tests that we used, for example, when assessing the potential impact on values and costs of the draft London Housing Design Guide for the GLA, LDA and HCA (2010). We also note that the Examiners for the Crossrail CIL and for other CIL Charging Schedules, have taken account of the level of the proposed CIL charges by reference to the estimated value and/or development costs, see for example Huntingdonshire DC (3.7% of value and 4.7% of costs), LB of Wandsworth (6% of value), Crossrail (1% of residential value and 0.5-8% of costs) and Bristol CC (2-5% of costs).

3. CIL VIABILITY FINDINGS

Introduction

3.1 In this section we summarise the findings from the testing that has been carried out. Greater detail of the individual outcomes is included at Appendix C. As discussed previously, we have applied three tests to assess what figure may be appropriate :-

1. Employment Land Values for each Value Area plus a premium (20%);
2. CIL as a percentage of the completed value of the assumed scheme (we have shown a figure of 3%)
3. CIL as a percentage of the total development costs of the assumed scheme (we have shown a figure of 3%)

Residential

3.2 In the Tables below we have set out the maximum amount of CIL that our appraisals show each Development Typology could viably afford to contribute, having applied each of the tests. We have included Tables for the 2012 appraisals. Further details can be found in Appendix C.

Table 9: Maximum CIL Rate (£ per sq m) for each Typology based on Affordable Housing at Policy Level – 2012 Values & Costs

	Central	Zone 1	Zone 2	Zone 3	Zone 4
Scheme 1	Not Viable	Not Assessed	Not Assessed	£2,050	Not Assessed
Scheme 2	Not Assessed	£610	£1,040	£3,020	Not Assessed
Scheme 3	Not Assessed	£1,200	£1,920	£4,500	Not Assessed
Scheme 4	£780	£330	£770	£2,750	Not Assessed
Scheme 5 – 10%	£510	£320	£830	£2,550	Not Assessed
Scheme 6 – 25%	Not Assessed	Not Viable	£61	£2,200	£370
Scheme 7 – 50%	Not Assessed	Not Viable	Not Viable	Not Assessed	Not Viable
Scheme 8 – 50%	Not Assessed	Not Viable	Not Assessed	Not Assessed	Not Viable
Scheme 9 – 50%	Not Assessed	Not Viable	Not Assessed	Not Assessed	Not Viable
Scheme 10	£590	Not Viable	Not Viable	Not Assessed	Not Assessed
Scheme 11	£720	£830	Not Assessed	Not Assessed	£860
Scheme 12 – 50%	Not Viable	Not Assessed	Not Assessed	Not Assessed	Not Viable

	Central	Zone 1	Zone 2	Zone 3	Zone 4
Scheme 13 – 50%	£3,340	Not Assessed	Not Assessed	Not Assessed	Not Assessed
Scheme 14	£580	£680	£680	Not Assessed	£860
Scheme 15 – 50%	£720	£180	£90	Not Assessed	£180
Scheme 16 – 50%	Not Viable	Not Viable	Not Viable	Not Assessed	Not Viable
Scheme 17 – 50%	Not Viable	Not Assessed	Not Assessed	Not Assessed	Not Assessed

Table 10: Maximum CIL Rate (£ per sq m) for Typologies tested below Affordable Housing Policy Level – 2012 Values & Costs

	Central	Zone 1	Zone 2	Zone 3	Zone 4
Scheme 7 – 25%	Not Assessed	Not Viable	Not Viable	Not Assessed	Not Viable
Scheme 8 – 25%	Not Assessed	Not Viable	Not Assessed	Not Assessed	Not Viable
Scheme 9 – 25%	Not Assessed	Not Viable	Not Assessed	Not Assessed	Not Viable
Scheme 12 – 30%	£480	Not Assessed	Not Assessed	Not Assessed	Not Viable
Scheme 13 – 25%	£4,270	Not Assessed	Not Assessed	Not Assessed	Not Assessed
Scheme 15 – 15%	£1,530	£630	£720	Not Assessed	£720
Scheme 16 – 30%	£220	Not Viable	Not Viable	Not Assessed	Not Viable
Scheme 17 – 25%	Not Viable	Not Assessed	Not Assessed	Not Assessed	Not Assessed

Table 11: CIL (£ per sq m) at 3% of Completed Value of Scheme (Affordable Housing in line with Policy) – 2012 Values & Costs

	Central	Zone 1	Zone 2	Zone 3	Zone 4
Scheme 1	£290	Not Assessed	Not Assessed	£645	Not Assessed
Scheme 2	Not Assessed	£153	£173	£274	Not Assessed
Scheme 3	Not Assessed	£180	£203	£323	Not Assessed
Scheme 4	£235	£147	£165	£265	Not Assessed
Scheme 5	£227	£160	£179	£279	Not Assessed
Scheme 6	Not Assessed	£185	£310	£318	£227
Scheme 7	Not Assessed	£214	£237	Not Assessed	£258
Scheme 8	Not Assessed	£226	Not Assessed	Not Assessed	£246

	Central	Zone 1	Zone 2	Zone 3	Zone 4
Scheme 9	Not Assessed	£188	Not Assessed	Not Assessed	£258
Scheme 10	£238	£150	£168	Not Assessed	Not Assessed
Scheme 11	£203	£130	Not Assessed	Not Assessed	£177
Scheme 12	£321	Not Assessed	Not Assessed	Not Assessed	£257
Scheme 13	£285	Not Assessed	Not Assessed	Not Assessed	Not Assessed
Scheme 14	£207	£130	£147	Not Assessed	£164
Scheme 15	£344	£225	£252	Not Assessed	£275
Scheme 16	£321	£211	£236	Not Assessed	£257
Scheme 17	£289	Not Assessed	Not Assessed	Not Assessed	Not Assessed

Table 12: CIL (£ per sq m) at 3% of Development Costs of Scheme - 2012 Values & Costs

	Central	Zone 1	Zone 2	Zone 3	Zone 4
Scheme 1	£139	Not Assessed	Not Assessed	£290	Not Assessed
Scheme 2	Not Assessed	£55	£55	£73	Not Assessed
Scheme 3	Not Assessed	£58	£58	£65	Not Assessed
Scheme 4	£65	£59	£59	£71	Not Assessed
Scheme 5	£72	£73	£73	£84	Not Assessed
Scheme 6	Not Assessed	£110	£165	£126	£121
Scheme 7	Not Assessed	£181	£181	Not Assessed	£198
Scheme 8	Not Assessed	£172	Not Assessed	Not Assessed	£188
Scheme 9	Not Assessed	£159	Not Assessed	Not Assessed	£197
Scheme 10	£71	£62	£62	Not Assessed	Not Assessed
Scheme 11	£59	£52	Not Assessed	Not Assessed	£60
Scheme 12	£177	Not Assessed	Not Assessed	Not Assessed	£168
Scheme 13	£181	Not Assessed	Not Assessed	Not Assessed	Not Assessed
Scheme 14	£60	£52	£52	Not Assessed	£60
Scheme 15	£156	£137	£137	Not Assessed	£147
Scheme 16	£177	£152	£152	Not Assessed	£168
Scheme 17	£176	Not Assessed	Not Assessed	Not Assessed	Not Assessed

3.3 As can be seen there are a range of answers depending on which test is applied.

3.4 It is acknowledged that CIL is imposed by Statute and that the ability to mitigate its effects is limited, unlike many obligations that arise through Planning Policy such as Affordable Housing. It is also the case, however, that CIL has been established as a means of contributing towards infrastructure required to support growth implicit in the targets for the delivery of housing and other uses within the London Plan and other strategic plans. The Council, through adopting CIL is taking on additional responsibilities for the delivery and funding of necessary and critical infrastructure. Its ability to condition consents to the delivery of supporting infrastructure, for example highway schemes or schools, will be heavily circumscribed. The Council therefore has to make a choice consistent with the requirement in a way that does not make development within the Borough economically unviable.

3.5 Taking account of the range of evidence, and this statutory test, we consider that the maximum CIL rates for housing (Use Class C3) within each Zone to be:

Table 13: Residential Maximum CIL Charge 2012 & up to 2016

VALUE AREA	Potential CIL Charge (£psm) 2012		Potential CIL Charge (£psm) Up to 2016	
	Below 10 Dwellings	Above 10 Dwellings	Below 10 Dwellings	Above 10 Dwellings
Central	£500	£150	£500	£150
Zone 1	£500	£150	£500	£150
Zone 2	£500	£250	£500	£250
Zone 3	£500	£500	£500	£500
Zone 4	£500	£250	£500	£250

3.6 The results suggest that the same CIL Charge should be applied in more than one Zone. We therefore suggest that the Council considers merging Central and Zone 1, and Zone 2 and Zone 3, to create three Charging Zones.

Table 14: Residential Maximum CIL Charge 2012 & up to 2016 (three Charging Zones)

VALUE AREA	Potential CIL Charge (£psm) 2012		Potential CIL Charge (£psm) Up to 2016	
	Below 10 Dwellings	Above 10 Dwellings	Below 10 Dwellings	Above 10 Dwellings
Zone 1	£500	£150	£500	£150
Zone 2	£500	£500	£500	£500
Zone 3	£500	£250	£500	£250

Commercial

3.7 We have undertaken assessments of three Typologies for commercial forms of development, setting out the position at both 2012 and 2016. We have set out in the Tables below a summary of the maximum levels of CIL which our appraisals show can be afforded.

Office (Use Class B1)

3.8 Our appraisals indicate that in the current market conditions, office development can only make a limited contribution. It is acknowledged that the office market in the West End has shown rental and capital growth over the last two years, and there has been a significant improvement in the Mid Town area. At the present time, however, new office development, and other commercial development, is difficult to promote given general concerns about the strength of the economy, occupier demand and a lack of development finance. In addition, there is continuing uncertainty arising from the need to refinance a considerable sum of loans to commercial property borrowers within the next two years. These problems can blight even schemes promoted within established areas such as the City of London.

3.9 Office schemes in the Central London Area also potentially have to make substantial contributions to Crossrail, through both the new Crossrail CIL and the London Mayor's Crossrail Planning SPG. Furthermore, the Council's housing policy, DP1, requires new office and mixed use schemes to include housing where appropriate, including affordable housing.

3.10 We consider that an office scheme outside the Central Area/Central Activities Zone is unlikely to be promoted at the present time unless there is a prelet or forward sale. It is also the case that there effectively needs to be a material improvement in values to make development viable, even if there is occupier demand. Our forecast for changes in capital values does not suggest that this is likely to happen, and that the changes in value may not match the forecast rise in building costs.

3.11 We are cautious as to how easy it will be for developers to promote and commence construction of substantial office schemes outside the central areas (Central & Zone 1), even where part of a large mixed use scheme e.g. Scheme 13, unless or until there is a prelet or forward sale. This would apply even if the existing land value is low.

3.12 Our forecast (see Table 4) suggests that a c.11% change in capital values of offices in Central London between now and 2016 will be mirrored by a c.11% forecast change in building costs. Within Central London, all other things remaining constant, we therefore do not see a reason to suggest that the position will change materially.

3.13 We conclude that the ability of the office element of a scheme to make a substantial contribution is limited, and we consider that the maximum charge that can be afforded for each Value Area is:

Table 15: Office Maximum CIL Charge, 2012 & up to 2016

VALUE AREA	Potential CIL Charge (£psm)	
	2012	Up to 2016
Central	£45	£45
Zone 1	£45	£45
Zone 2	£25	£25
Zone 3	£25	£25
Zone 4	£25	£25

3.14 We suggest that for ease, and given our conclusions as to the rates, the Council should consider merging the Value Areas to create two CIL Charging Zones as follows:

Table 16: Office Maximum CIL Charge, 2012 & up to 2016 (Two Charging Zones)

VALUE AREA	Potential CIL Charge (£psm)	
	2012	Up to 2016
Central/Zone 1	£45	£45
Rest of Borough	£25	£25

Employment (Use Class B2 & B8)

3.15 There is relatively little new development of accommodation for B2 & B8 Use in the Borough, and little is forecast to occur. It is anticipated that such development as it takes place will be replacement of existing floor area, and is unlikely to be at a greater density.

3.16 Our recent experience of analysing development for such uses within London, for example at Harrow for the redevelopment of the Kodak site, shows that there is no material scope to charge S106 or CIL, especially noting the significant Base Land Values we have adopted for this Study. We also note that the Crossrail CIL at £50 per sq m will be payable should there be any floor area that is liable for CIL.

3.17 We conclude that, based on viability, the Council should not seek a CIL payment for Use Classes B2 & B8.

Retail, Use Class A2-5, Use Class D2 and Commercial Leisure uses

3.18 We have not undertaken testing of retail and commercial leisure uses on a standalone basis, as schemes of this nature rarely come forward within the Borough. Rather it has been assumed that these uses will be provided as part of mixed use schemes.

3.19 New development within Central London is already potentially subject to payments for Crossrail under the Planning SPG at a higher rate than the general Crossrail CIL. Under the SPG it is c £91 per sqm Gross External Area (assuming that the development does not qualify for the 20% discount which applies until 31 March 2013) and £50 per sqm Gross Internal Area for CIL.

3.20 The Council notes in its Annual Monitoring Summary 2010/11

> "The proportion of A1 retail frontages in Camden's shopping streets has declined in Camden over the last 5 years from 49% (2096 shops) to 44% (1910 shops). The Town Centres, Central London Frontages and Neighbourhood Centres all lost retail uses as a proportion of shop frontages to other uses, and for many areas food drink entertainment uses have increased. Covent Garden and Hatton Garden bucked the trend with increases in the proportion of A1 retail shopfronts. The proportion of food, drink and entertainment uses (A3, A4 and A5) has increased share slightly from 18% (782 shops) to 21% (887 shops). In the last 5 years A3 restaurants and cafes have seen a net floorspace increase (2,230sq m) and A4 pubs and bars have seen a decrease (-1,650sq m).
>
> The predominant trend for retail floorspace change in Camden is the redevelopment mixed use schemes to provide a similar quantity but higher quality of retail space. The last 5 years have shown an increase in A1 floorspace of around 17,200sq m, but most of this (over 14,100sq m) was the redevelopment of the Brunswick Centre.
>
> Vacancy rates in Camden's shopping streets have increased from 5% to 7% in the last 5 years. This compares favourably to a rate of 10% for London and 14% nationally. Of the 13 main shopping areas in Camden, 7 have increased vacancy in the last five years, and two, Covent Garden and Hatton Garden have decreased vacancy rates. The areas with the highest vacancy rates are Euston Road (24%), Finchley Road / Swiss Cottage (8%) and Neighbourhood Centres overall (10%). Hampstead (4%) and Hatton Garden (3%) have the lowest vacancy rates."

3.21 Our forecast (see Table 4) suggests that a c.11% change in capital values of shops in Central London between now and 2016 will be broadly mirrored by a c.13.5% forecast change in building costs. Within Central London, all other things remaining constant, we therefore do not see there being a reason to suggest that the position will change materially. For shops outside Central London the picture looks more challenging, if, as forecast, capital values do not rise whilst building costs do.

3.22 Given prevailing values and build costs, as well as the market context, we conclude that the ability of most retail uses to make a substantial contribution to the Council's CIL is limited. Based on our testing and analysis we consider that the maximum charge that can be afforded for each Value Area is £25 per sqm.

Other uses within Use Class A (A2, A3, A4 & A5)

3.23 Below, for clarification, are examples of the other uses which fall under the definition of 'A' Class Uses:

Table 17: 'A' Use Classes Order

TCPA Use Classes Order 2006	Use / Description of Development	Permitted Change
A2	Financial Services: Banks, building societies & bureau de change, estate agencies and employment agencies, betting shops.	A1 (where there is a ground floor display window)
A3	Restaurants & Cafes:	A1 or A2
A4	Public House, Wine Bar or other drinking establishments (primary purpose being the sale of alcohol)	A1, A2 or A3
A5	Take-aways - hot food taken off premises.	A1, A2 or A3

3.24 We note that rents for A2 uses are often lower than A1 uses and could be considered more akin to B1(a) uses. We consider that values for A3 to A4 Uses are often similar to those for A1 and/or apply where there is effectively no demand for A1 Use. However, the 2006 Use Classes Order permits changes as noted above. We would therefore suggest that all 'A' class uses be grouped together under the same CIL Charge.

Use Class D2 and Commercial Leisure uses

3.25 These uses are subject to the Crossrail CIL, and therefore we consider the scope for a further charge will in most cases be limited. Given the modest level of charge that is proposed for retail, and the likelihood that many developments incorporating such uses are anticipated to occur in proximity to retail locations, possibly as part of mixed use schemes, we consider that the charge proposed for retail development would be appropriate.

Summary

3.26 Based on our testing and analysis we consider that the maximum charge that can be afforded for each Value Area is as follows:

Table 18: Retail, Use Class A2-5, Use Class D2 and Commercial Leisure uses Maximum CIL Charge, 2012 & up to 2016

VALUE AREA	Potential CIL Charge (£psm)	
	2012	Up to 2016
Central	£25	£25
Zone 1	£25	£25
Zone 2	£25	£25
Zone 3	£25	£25
Zone 4	£25	£25

3.27 We suggest that one CIL charging rate is set at £25 per sqm across the Borough.

Hotel (Use Class C1) & Hostels (youth and/or holiday)

3.28 Our market research and appraisals do not suggest that new build hotel development will (1) come forward in considerable quantity in Camden, and (2) be able to provide significant levels of CIL contribution. We also consider this to be the case for Hostels that are used by visitors/tourists.

3.29 New hotel development within Central London is already potentially subject to payments for Crossrail under the Planning SPG at a higher rate than the general Crossrail CIL. Under the SPG it is c £91 per sqm Gross External Area (assuming that the development does not qualify for the 20% discount which applies until 31 March 2013) and £50 per sqm Gross Internal Area for CIL.

3.30 Our appraisals have been undertaken using the residual land value model, however, we would note that the decision to proceed with new hotel development will be based in large measure on the business plan that the prospective operator will have drawn up. Further the inclusion of a hotel within a mixed-use scheme can have benefits that go beyond the impact on the residual land value by, for example, extending the range of facilities available to the other occupants, and thereby increasing the demand for the other accommodation and/or increasing its value.

3.31 In summary, the decision whether to promote and develop a hotel or a hostel is complex and rarely driven simply by a basic residual land calculation.

3.32 The evidence undertaken for the GLA when preparing the SPG for the Crossrail S106 Contribution indicated that hotels would benefit from the operation of Crossrail, and that the use could accommodate a charge of £60 per sqm GEA.

3.33 Given prevailing values and build costs, as well as the market context, we conclude that the ability of most hotel/hostel development to make a substantial contribution to the Council's CIL is limited. Based on the testing we have done and our analysis we consider that the maximum charge that can be afforded for each Value Area is:

Table 19: Hotel & Hostels (youth and/or holiday) Maximum CIL Charge, 2012 & up to 2016

VALUE AREA	Potential CIL Charge (£psm)	
	2012	Up to 2016
Central	£40	£40
Zone 1	£40	£40
Zone 2	£30	£30
Zone 3	£30	£30
Zone 4	£30	£30

3.34 We suggest that the Council should consider merging the Value Areas to create two CIL Charging Zones as follows:

Table 20: Hotel & Hostels (youth and/or holiday) Maximum CIL Charge, 2012 & up to 2016 (Two Charging Zones)

VALUE AREA	Potential CIL Charge (£psm)	
	2012	Up to 2016
Central/ Zone 1	£40	£40
Rest of Borough	£30	£30

3.35 It should be noted that this charge is not proposed to be applied to hostels that are operated by the public sector or charities to provide accommodation for those needing care for the homeless. These institutions are not operated for commercial gain and many will probably exempt from CIL being run by charities or people who are exempt under the CIL Regulations.

Student (Use Class C1 or Sui Generis)

3.36 Our market research suggests that there are a number of schemes under construction within the Borough and elsewhere in London; and that further planning applications are anticipated to be lodged given the significant imbalance between the student population and the supply of purpose built accommodation. We note that there are effectively two markets available to private sector developers and operators: (1) development linked to a specific institution through a nomination agreement or equivalent, and (2) those that are free to take students from any institution on a first come first served basis. Those without a tie are free to charge whatever the market will bear, which can be a materially higher rent.

3.37 In the Tables below we have set out the maximum amount of CIL that our appraisals show each Development Typology could viably afford to contribute applying each of the three tests. We have included Tables for the current (2012) and future (2016) appraisals.

Table 21: Student Accommodation Maximum CIL Charge, 2012 & up to 2016 – High Rents

VALUE AREA	Potential CIL Charge (£psm)	
	2012	Up to 2016
Central	£175	£310
Zone 1	£1,145	£1,390
Zone 2	£1,145	£1,390
Zone 3	£550	£780
Zone 4	£550	£780

Table 22: Student Accommodation Maximum CIL Charge, 2012 & up to 2016 – Average Rents

VALUE AREA	Potential CIL Charge (£psm)	
	2012	Up to 2016
Central	£0	£0

Zone 1	£550	£690
Zone 2	£550	£690
Zone 3	£400	£630
Zone 4	£400	£630

3.38 The appraisals suggest that schemes within the Central Zone that have to meet or exceed the Benchmark Land Value plus a premium cannot afford to make a contribution unless the rents are equal to or exceed our upper figure (an average rent of £260 per week). If one takes no account of the premium then a High Rent scheme could afford up to £376 per sq m; whilst an Average Rent scheme would still show an inability to pay a CIL unless rents are c 5% higher or the scheme is reconfigured to include a higher proportion of accommodation for which a premium can be charged e.g. studios and 1 bed flats. The results for the other areas suggest that there is an ability to make a significant payment towards CIL.

3.39 We consider that the maximum CIL rates for Student Housing (assuming no S106 Contribution is required) within each Zone to be:

Table 23: Student Accommodation Maximum CIL Charge 2012 & up to 2016

VALUE AREA	Potential CIL Charge (£psm)	
	2012	Up to 2016
Central	£175	£300
Zone 1	£550	£700
Zone 2	£550	£700
Zone 3	£400	£630
Zone 4	£400	£630

3.40 We suggest that the Council should consider merging the Value Areas to create three CIL Charging Zones as follows:

Table 24: Student Accommodation Maximum CIL Charge 2012 & up to 2016 (Three Charging Zones)

VALUE AREA	Potential CIL Charge (£psm)	
	2012	Up to 2016
Zone 1	£175	£300
Zone 2	£550	£700
Zone 3	£400	£630

Residential Care Homes (Use Class C2)

3.41 We understand that there have been no applications from private operators within the Borough for many years; we assume that this is due to the high residential values. Given the high residential values that prevail it is anticipated that the majority of residential care homes (Use Class C2) will include an element of public sector funding, such as direct grant or free/reduced value land. Further, a number of the institutions that operate these homes are charities and may be able to claim exemption from CIL. On the other hand, many of the private developments are in reality akin in value to those that apply for Use Class C3 within the same area.

3.42 We consider that the Council has to decide whether any proposals that are likely to come forward in the next few years will include some element of public subsidy and are not viable without it, in which case a Nil charge may be appropriate. If, however, schemes are promoted by private companies, we consider that a charge akin to that which will be applied to Use Class C3 within the same Value Area should be applied:

Table 25: Residential Care Homes Maximum CIL Charge, 2012 & up to 2016 (Three Charging Zones)

VALUE AREA	Potential CIL Charge (£psm)	
	2012	Up to 2016
Zone 1	£150	£150
Zone 2	£500	£500
Zone 3	£250	£250

General Public Service Buildings (Use Classes D1)

3.43 Within this category we consider to be meeting halls, advice centres, education and training facilities, places of public worship and similar uses. It is not anticipated that any new buildings will be promoted within the next few years save those that are undertaken either directly by the Council or those that require a public subsidy i.e. do not provide a commercial return. In such circumstances we consider that a Zero CIL Charge should be levied.

Other Uses

3.44 There are a number of other proposed uses that may be promoted during the currency of the CIL, including uses that are Sui Generis. Some of these may be exempt either because they qualify for charitable relief, or because they fall within the exemption under Reg 40(10). We consider that a small charge should be levied in respect of all uses unless exempt or those that have been specifically identified in order that there be the potential to contribute towards the funding of costs incurred in providing infrastructure required to support the development of the Borough. Given the prevailing values, the lead set by the Crossrail CIL, both in Camden and across London, we consider that £25 per sq m is an appropriate charge.

4. CONCLUSIONS & RECOMMENDATIONS

4.1 This CIL Assessment is intended to establish an understanding of the potential for the establishment of a CIL charge across Camden.

Conclusions

CIL Charging Zones

4.2 The guidance from the DCLG sets out that an area-based approach involving a broad test of viability should be used; and that CIL Charging Authorities should avoid 'undue complexity, and limit the permutations of different charges that they set within their area'. We therefore suggest that the Council considers merging Central Zone and Zone 1, and Zone 2 and Zone 4, to create three CIL Charging Zones.

The Development Market Context

4.3 This Viability Assessment has been undertaken at a time when the housing market within Camden has shown resilience and recovered the value lost in 2008/09; although the evidence from the Land Registry is based on fewer sales. The commercial market within the central area has also recovered but faces difficulties in common with other established areas due to inter alia the pace of economic recovery; weak tenant demand and difficulties in securing finance. Whilst there is demand from developers for residential sites, we are cautious about the ability of mixed used schemes to secure the construction of the commercial elements unless they are modest in scale relative to the overall scheme. The Council therefore has to be mindful in choosing CIL rates, that development remains challenging for many uses in a number of areas.

Residential CIL Viability

4.4 The testing shows that those schemes below the affordable housing threshold can in theory afford to make a substantial payment, which we consider to be up to £500 per sqm. It should be noted however that there is doubt whether it is lawful under the Regulations to charge a different rate within a Use Class in respect of size or number of dwellings. It is therefore uncertain whether any authority may seek to charge a CIL rate that is determined simply by reference to the affordable housing threshold. We recommend legal advice be sought.

4.5 The results suggest that different CIL charges should apply in each of the Value Areas identified, although Central/Zone 1 and Zones 2 and 4 show similar results and could be combined also making the implementation and operation of the CIL easier. We are mindful of the fact that choosing a CIL rate necessarily has an impact for the delivery of affordable housing, therefore the Council needs to consider its priorities. Our suggested maximum CIL rate seeks to ensure that the delivery of affordable housing is optimised.

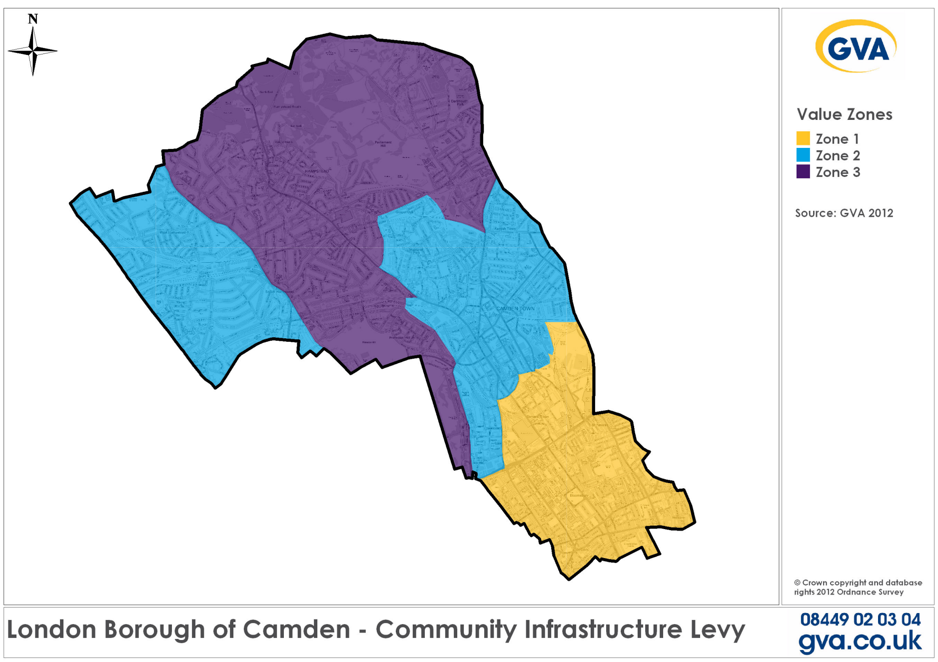
Commercial CIL Viability

4.6 Our research and testing suggests that development which includes commercial elements can be delivered within the Central areas but, as already noted, the market conditions are challenging. We also note that commercial use such as offices, retail and hotels are subject to a material payment towards Crossrail, and in the case of offices a contribution towards affordable housing. We therefore recommend a cautious approach in setting the CIL charge for these uses and effectively the maximum rates imposed represents up to 5% of the Development Costs.

Recommendations

4.7 We recommend the following:

1. The Council should consider setting the CIL tariff by reference to three areas as identified in the diagram below:



2. The Council should consider adopting a CIL charge up to the figures set out in the Table below:

Table 26: Maximum CIL Charges

Type of Development	Maximum CIL Tariff per sq m		
	Zone 1	Zone 2	Zone 3
Residential below 10 dwellings	£500	£500	£500
Residential above 10 dwellings	£150	£250	£500

Residential Care Home	£150	£250	£500
Retail & Other Use Class A , Use Class D2 and Commercial Leisure uses such as nightclubs	£25	£25	£25
Office	£45	£25	£25
Student Housing	£175	£400	£400
Hotel incl holiday hostels	£40	£30	£30
Other Uses	£25	£25	£25
General Public Service Buildings	Nil	Nil	Nil

3. Expressing this as a draft Schedule would show:

Maximum CIL Tariff (per Sq M)	Type of Development
Band 1	
£500	• Residential below 10 dwellings • Residential above 10 dwellings (Zone 3) • Residential Care Homes (Zone 3)
Band 2	
£400	• Student Housing (Zones 2 & 3)
Band 3	
£250	• Residential above 10 dwellings (Zone 2) • Residential Care Homes (Zone 2)
Band 4	
£175	• Student Housing (Zone 1)
Band 5	
£150	• Residential above 10 dwellings (Zone 1) • Residential Care Homes (Zone 1)
Band 6	
£45	• Office (Zone 1)
Band 7	
£40	• Hotel incl holiday hostels (Zone 1)
Band 8	
£30	• Hotel incl holiday hostels (Zones 2 & 3)
Band 9	
£25	• Retail, Restaurants, Bars, Cafes, Use Class D2 and Commercial Leisure uses such as nightclubs • Offices (Zones 2 & 3) • All other uses not separately identified within the Schedule
Band 10	
Nil	• General Public Service Buildings such as libraries, advice centres, health centres, education & training facilities provided by/funded by the public sector

4. Please note that these figures represent the maximum CIL payable, adopting the tests that we have applied. The Guidance from DCLG, and comments from Examiners, stress that the CIL should not be set at the limit of viability.

5. In 2016 a review of the adopted CIL charge should be conducted by the Council. The review should assess the response by the local market, land owners and developers to the changes brought about by CIL, as well as the implications of the announced public capital funding cuts. Alternative infrastructure funding methods should be more fully explored, and the impact of the move to Zero Carbon (scheduled to be introduced in 2016) on building costs and possible sale values and rents should be considered. At the present time it is not certain what these changes will be, and therefore what the value and costs implications might be.

Report

Appendices

Report

Appendix A: Typology Assumptions

APPENDIX A: TYPOLOGY ASSUMPTIONS

To determine development viability we have used a residual development appraisal model, the principles of which are in keeping with the methodology adopted by the majority of developers when purchasing development land. The residual model assumes that land value is the difference between the gross development value and the build costs, once an element of developer profit has been taken into account. Through the use of residual development models we are able to quantify the impact of CIL contributions on land values and scheme viability.

We have prepared a number of hypothetical developments for testing (Typologies), which have been agreed with the Council. These are set out below.

Residential

The residential Typologies we have used are set out in the Table below, alongside the unit sizes we have assumed. These have been determined from the Borough's Core Strategy requirements as well as evidence of historical unit sizes from recent planning applications.

Table A1. Residential Typologies

Typology	Land Uses
Scheme 1	1 House
Scheme 2	2 Flats
Scheme 3	4 Houses
Scheme 4	6 Flats
Scheme 5	10 Flats
Scheme 6	25 Flats
Scheme 7	50 Flats
Scheme 8	100 Flats
Scheme 9	150 Flats

Table A2: Mixed Use Typologies

Typology	Land Uses
Scheme 10	4 Flats, 145 sq m Office
Scheme 11	8 Flats, 300 sq m Office
Scheme 12	30 Flats, 500 sq m Office
Scheme 13	150 Flats, 30,000 sq m Office
Scheme 14	8 Flats, 300 sq m Retail
Scheme 15	15 Flats, 600 sq m Retail
Scheme 16	30 Flats, 600 sq m Retail
Scheme 17	100 Flats, 10,000 sq m Office

Table A3. Assumed Dwelling Sizes

Unit Type	Private Housing	Affordable Housing*
	Size (GIA) Sqm	Size (GIA) Sqm
1-bed flat 2 person	50	50
2-bed flat 4 person	72	75
3-bed flat 5 person	88	86
2-bed house 4 person	125	83
3-bed house 5 person	185	96
4-bed house 8 person (3-4 storeys)	465	102
6-bed house 10 person (3 storeys)	930	106

Commercial

We have appraised office, industrial, retail and leisure schemes as set out below. We have assumed that all of the commercial units will be built to BREEAM level 'Very Good' where relevant, and that car parking standards will be Camden Core Strategy / planning policy compliant.

Table A4. Commercial Typologies:

Typology	Land Uses
Scheme 18	Office – 1,250 sq m GIA
Scheme 19	Hotel – 150 beds
Scheme 20	Student Accommodation – 250 Rooms

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Appendix B: Property Market Review

APPENDIX B: PROPERTY MARKET REVIEW

In order to carry out our development appraisals to inform the viability Study we have undertaken a review of Camden's residential and commercial property markets.

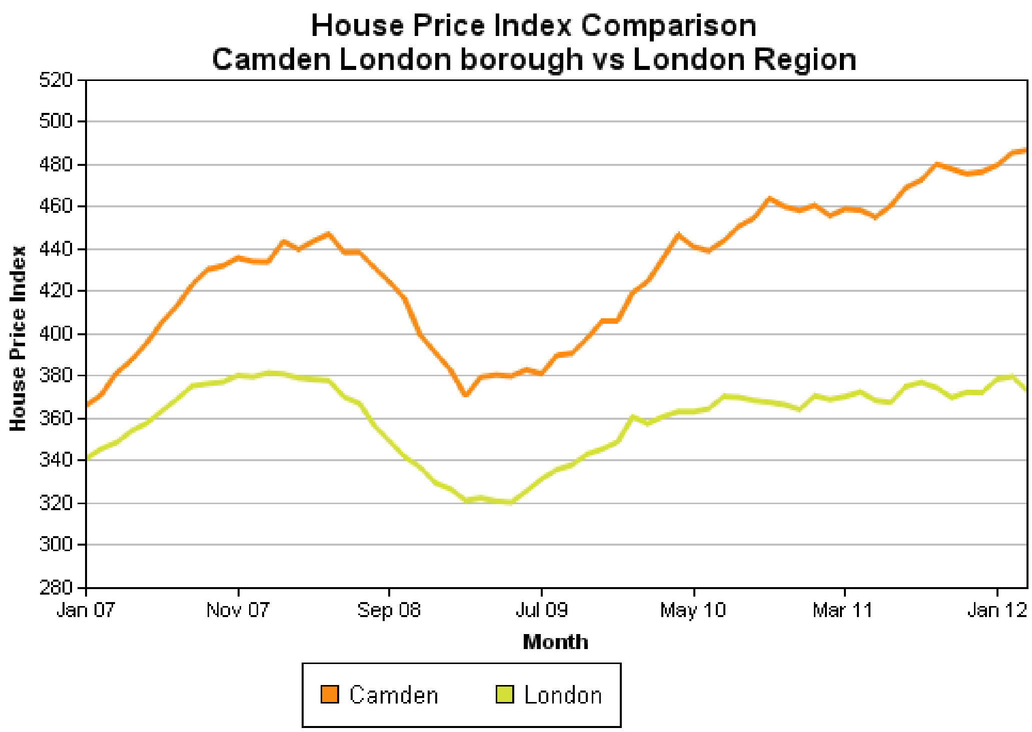
Residential

Overview

House prices have recovered in London since Q1 2009, increasing by 15% across the London Region and by 31% in Camden. Average house prices in the Borough are now higher than they were at the time of the previous peak in 2008.

Values in Camden are high, and in March 2012 were circa 70% above the average for London (£590,000 compared to £345,000). Values have increased at a greater rate in Camden compared to London; growing by 6% since January 2012, compared to 0.6% across London.

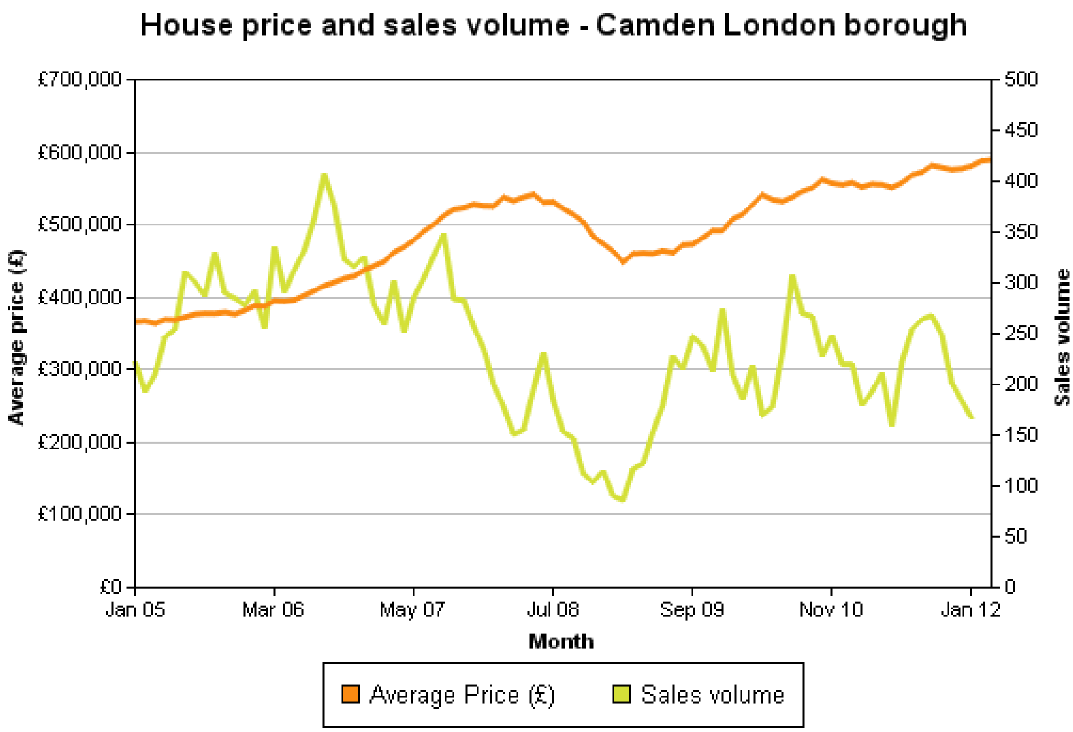
Figure 1: House Prices in Camden and London Region January 2007- 2012



Source: Land Registry

Whilst property values have recovered in Camden, sales volumes are significantly below the peak level, as shown in the chart below. Further, a significant number of purchasers are those able to make a substantial equity investment rather than those reliant on mortgages or debt finance, which remains rationed.

Figure 2: House Prices and Sales Volumes in Camden January 2005-2012



Source: Land Registry

Value Areas

It is evident from Camden Planning Policy, local market analysis and local stakeholder discussions that different land and sale values apply in various locations across the Borough. GVA and the Council have concluded that Camden has five Market Value Areas. These are:

Central – King's Cross; Bloomsbury & Holborn; Clerkenwell & Hatton Gardens

Zone 1 – Euston & Somers Town

Zone 2 – Kentish Town; Camden Town; Primrose Hill/Chalk Farm

Zone 3 – Hampstead Heath & Highgate; Frognal and Fitzjohn; Belsize Park

Zone 4 – West Hampstead

It should be noted that these Value Zones serve as a baseline guide, indicating average values, rather than values on specific sites.

Table B1 Average Residential Values

	2012 Market £ per sq m (£ per sq ft)	2016 Market £ per sq m (£ per sq ft)
Central	£9,688 (£900)	£10,850 (£1,009)
Zone 1	£6,000 (£560)	£6,720 (£625)
Zone 2	£6,800 (£630)	£7,616 (£708)
Zone 3	£10,764 (£1,000)	£12,056 (£1,121)
Zone 4	£7,500 (£700)	£8,400 (£781)

The Table below compares the 2008 new build sales values identified in the Affordable Housing Viability Study carried out by DTZ (2009), with current new build sales values adopted by GVA for this Study.

Table B2: DTZ 2008 sales values and GVA 2012 sales values

Area	Zone	2008 Sales Values £ per sq m (£ per sq ft)	2012 Sales Values Adopted by GVA £ per sq m (£ per sq ft)
King's Cross	Central	£6,028 (£560)	£8,611 (£800)
Bloomsbury and Holborn	Central	£9,688 (£900)	£9,688 (£900)
Clerkenwell and Hatton Garden	Central	£6,997 (£650)	£8,611 (£800)
Euston and Somers Town	Zone 1	£5,920 (£550)	£6,458 (£600)
Primrose Hill/ Chalk Farm	Zone 2	£12,917 (£1,200)	£12,917 (£1,200)
Kentish Town	Zone 2	£6,781 (£630)	£6,781 (£630)
Camden Town	Zone 2	£6,889 (£640)	£6,997 (£650)
Frognal and Fitzjohn	Zone 3	£10,764 (£1,000)	£12,917 (£1,200)
Belsize Park	Zone 3	£10,172 (£945)	£10,226 (£950)
Hampstead Heath and Highgate	Zone 3	£12,917 (£1,200)	£10,764 (£1,000)
West Hampstead	Zone 4	£7,104 (£660)	£7,535 (£700)

It is apparent that the picture is slightly mixed in 2012, with values remaining the same in some areas, and increasing in others. Only in one area (Hampstead Heath and Highgate) have values apparently fallen since 2008.

Growth Areas

Significant development has taken place across the Borough over the last decade, notably in Kings Cross. King's Cross has been designated as an 'Opportunity Area' in the London Plan, and is identified as an area of future growth in Camden's Core Strategy (adopted November 2010) alongside Euston, Tottenham Court Road, Holborn and West Hampstead Interchange. These five areas are anticipated to bring forward circa 4,700 new homes as well as the majority of new employment floorspace in the period to 2025.

Outside of these key growth areas, the following locations are also identified as suitable for development: Camden Town; Finchley Road/Swiss Cottage; Kilburn High Road, Kentish Town and West Hampstead

Office

Camden is identified as 'major employment centre' and is rated third in London in terms of importance as a business location. According to the latest Annual Monitoring Report, B1 floorspace completions have been increasing for the last five years, reaching 81,700 sq m in 2010/201 compared to 62,200 sq m the previous year. There is also significant office development planned, with 538,000 sq m of B1 floorspace in the development pipeline for Camden; the majority of which is located in the King's Cross growth area.

Table B3. Average New Build Office Values by Zone

	Central	Zone 1	Zones 2-4
Rents Per Sq M	£592 (£55 psf)	£484 (£45 psf)	£323 (£30 psf)
Yields	6.25 - 6.50%	6.50 – 7.00%	7.00%

Retail

The economic downturn has had a detrimental impact on Camden's six town centres, three Central London Frontages and 36 neighbourhood centres, with a decrease in the proportion of A1 retail frontages in the Borough, and an overall rise in vacancy rates (albeit a less significant rise than London and national average).

We have set out in Table C5 the average retail values by value / development area we have used in our Viability Appraisals further to desktop research and agency consultation.

Table B4. Average New Build Retail Values and Yields by Value Zone

	Central	Zone 1	Zones 2-4
Rents Per Sq M	£431 (£40 psf)	£323 (£30 psf)	£215 (£20 psf)
Yield	6%	7%	7%

Hotels

PWC forecasts that in London the Revenue per Available Room (RevPAR) will grow by 2.8% in 2012, with occupancy and Average Daily Rate (ADR) growth of 1.2%. In contrast, PWC are predicting a decline in RevPAR for the provinces of -1.2%:-

Table B5: PWC's hotel market forecast

	London		Provinces		UK	
	2012	2013	2012	2013	2012	2013
Occ (%)	83.6	81.1	71.8	71.6	74.9	74.0
ADR (£)	135.43	130.80	57.09	58.46	80.63	80.20
RevPAR (£)	113.81	106.16	41.05	41.89	60.58	59.44
% change on previous year						
Occ (%)	1.2%	-3.0%	0.9%	-0.3%	1.0%	-1.1%
ADR (£)	1.2%	-3.4%	-2.1%	2.4%	-0.4%	-0.5%
RevPAR (£)	2.8%	-6.7%	-1.2%	2.0%	0.7%	-1.9%

If the above is achieved for London then this would result in the highest annual occupancy seen in London since the 1970's. In contrast, the continuing austerity will continue to restrict ADR growth. Rates will be challenged by cost conscious consumers and travel buyers seeking value and deals, and the displacement effect of lower spending visitors.

PWC predicts lower demand and an East London supply spike to depress London trading performance in 2013. Despite a GDP growth forecast of 1.8% in 2013, there will be no anticipated relief for squeezed consumer spending as well as there being a potential supply overhang.

GVA View on PWC Forecast

It is difficult to counter the logic of the PWC forecast, particularly in respect of 2012. Whilst the Olympic effect is still unknown, we expect that there will be a quantifiable improvement in London RevPAR performance in Q3 2012. It is in our view difficult to make comparisons between London and past cities, which have hosted the event. London is an established destination in its own right and the impact of the Games is more likely in our view to displace tourists otherwise bound for the capital over the summer. We would expect these tourists to postpone and not cancel their plans to visit London. There are some positive signs, including in particular the weakness of sterling against the US dollar, and the improving outlook in the US, which should result in a stronger US inbound tourism market (a particular benefit to the Eagle portfolio with a strong US guest profile). We are therefore probably more optimistic with regard to the prospects for London in 2013, with increasing levels of business travel supporting performance. According to research by PKF, it also believes that London will not necessarily suffer from a post-Olympic slump.

Tourism Trends

The long term forecast by the World Tourism Organisation suggests that international tourist arrivals will grow by 80% by 2030, reaching 1.8bn. At the projected pace of growth, arrivals will pass 1bn in 2012 up from 940 million in 2010.

In 2010, London welcomed 14.6million overseas visitors, an increase of almost 3% on 2009, generating a record expenditure of £8.6bn as the capital accommodated the highest number of tourists and business travellers in four years. In addition to the boost from the leisure sector, hotels in the capital have benefited from a 7.6% increase in the number of business visitors to the city, to 2.8million, a recovery from the 19% decline in 2009.

The principal change in source countries for UK tourism in recent years has been the inclusion of Poland in the list of ten leading visitor countries, a direct result of the countries accession to the European Union. In 2010, the number of visitors from France, Spain and Ireland declined. The most noticeable other change is the continuing drop in the number of US visitors since 2006, down by 31% with spend down by 28%, although 2011 did see an improvement and as mentioned earlier, with the US beginning to emerge out of recession, there should be an increase in foreign travel.

The south west, south east and the north west remain the most popular regions of the UK for domestic visitors in terms of trips, nights and spend, although London still earns £2.5bn from British visitors. The distribution of overseas visitors is markedly different with London being by far the most popular destination, followed by the south east of England and Scotland.

Conferences and Meetings Market

The 2011 UK Events Market Trends Survey (UKEMTS) estimates the overall value, to the UK economy, of the conference and business events market in 2010 of £16.3bn down from 2009 at £18.8bn.

The short to medium term outlook for the Meetings, Incentives, Conferencing and Exhibitions (MICE) market is for a slow and very gradual recovery. It will take several years for organisations to begin to materially relax their spending parameters, although once the recovery takes hold there will also be a renewed push for 'getting people together' in order to achieve market share in their sectors through closer collaboration. We are also seeing some signs that the wedding market is beginning to pick up. There is more volume coming through in 2011, although this has in part been secured as a result of very competitive pricing policies.

New Hotel Supply

In total, 2011 saw 11,883 rooms open compared to 10,426 in 2010. There were a significant amount of additional projects that were either postponed or cancelled as a result of the recession and particularly the lack of funding, both in terms of the equity and debt. According to studies by the British Hospitality Association, there were a total of 6,955 cancelled rooms in 2011. Some of these projects will move to 2012 and even 2013. Below is a Table setting out the total number of UK new hotel openings between 2002 and 2011.

Table B6: Number of new hotels, 2002-2011 (Budget hotels in brackets included in totals)

Year	London	England	Scotland	Wales	Northern Ireland
2002	21(11)	49(29)	5(3)	1	1
2003	10(5)	32(20)	6(3)	1	1(1)
2004	24(11)	49(32)	11(6)	3(2)	1
2005	12(5)	62(44)	7(5)	5(2)	1(1)
2006	11(4)	81(55)	12(4)	6(2)	2(1)
2007	12(6)	71(43)	13(5)	5(3)	3(2)
2008	22(13)	146(88)	16(8)	18(13)	5(4)
2009	10(1)	63(33)	13(4)	4(2)	2(2)
2010	16(3)	60(35)	13(8)	6(4)	1(1)
2011	28(15)	70(52)	6(4)	2(1)	-
TOTAL	**166(74)**	**683(431)**	**102(50)**	**51(29)**	**17(12)**

The major openings of London hotels in 2011 included the 245 bedroom (and 67 flats) St Pancras Renaissance which opened on the site of the Midland Grand, and the 294 bedroom Corinthia in Northumberland Avenue, which opened on the site of the former Metropole Hotel. Another notable property to reopen as a fully refurbished four star hotel is the 331 bedroom Jolly St Ermin's in London Victoria. Other hotels to open during 2011 include the 192 bedroom W Hotel, Leicester Square, the 137 bedroom Waldorf Astoria in Syon Park, the Grange Tower Bridge Hotel (370 bedrooms), Montcalm London City hotel (235 bedrooms) and the opening of the 350 bedroom Hilton at T5 London Heathrow. The Berners hotel, which was sold in 2010, has continued to experience delays but we understand the hotel refurbishment will shortly be re-commencing in order to open as a Marriott Edition brand in 2013. Both Travelodge and Premier Inn have continued to expand their London portfolio with Premier Inn adding 1,054 bedrooms and Travelodge adding 919 bedrooms.

Student Housing

There has been a significant increase in the number of students in London especially from those from overseas. As a result there is a significant shortage of purpose built student accommodation. At the moment there are approximately 285,000 full time higher education students within greater London and only circa 55,000 purpose built bed spaces. It is estimated that the London HE Colleges are only able to accommodate circa 50% of their first year students. It is anticipated, not withstanding the increase in fees and the general costs of living on London, that there will continue to be strong demand for courses in London and consequently for living accommodation.

Whilst the increase in tuition fees is expected to reduce the number of applicants, the demand in London is underpinned by the quality of the Universities and by demand from overseas students.

Whilst the applications for 2012 show a fall in applications in London this follows a record year in 2011 as students applied to avoid the introduction of tuition fees. Notwithstanding the fall in numbers there is still a large imbalance in London between demand for purpose built accommodation and supply, especially for those who are guaranteed a bed by the University – first year and international students.

In response to demand, a number of students housing schemes are coming forward outside the central area for example Wembley Park Boulevard (Quintain), Victoria Hall Wembley (Victoria Halls), Kilburn Highroad (Sunderdial Capital) and Strafford City (Unite).

A number of local authorities are now seeking to implement planning policies that will restrict or limit the development of student accommodation or the location in which it can be developed. One consequence of this policy may be that other authorities see an increase in applications.

As a general rule student accommodation is not as valuable as residential development since it is tied to the rents that can be charged which need to account for the costs that are absorbed by the operator such as heating, repairs, maintenance etc.

The rents that are charged is also influenced by whether the scheme is linked to a particular University, either because it is being built and operated by the institution or because it is tied to one through a nomination agreement. The rents that are charged when linked to a University are generally less than could be charged for the same accommodation on the open market on direct let basis, especially in central London.

The ability to charge CIL is affected by the location of the scheme and whether it is replacing employment or is effectively a substitute for high density housing, which may be more valuable.

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Appendix C:
EXAMPLE DEVELOPMENT APPRAISALS

APPENDIX C: EXAMPLE DEVELOPMENT APPRAISALS

ZONE 4		Appraisal Results			
Scheme		6			
Scheme details		25 flats, 25% affordable			
		Private	NIA (sqm)	Affordable	NIA (sqm)
Residential Unit Mix	1 Bed Flat	2 Units (11%)	100	1 Unit (16.7%)	50
	2 Bed Flat	8 Units (42%)	560	2 Units (33.3%)	140
	3 Bed Flat	9 Units (47%)	792	3 Units (50%)	258
	Total	**19 Units**	**1452**	**6 Units**	**448**
Combined NIA		**76 sqm per unit**		**1900 sqm total**	
		Scheme Revenue			
Market Housing		1452 sqm @ £7500 per sqm		**£10,890,000**	
Affordable Rent 1 bed		£78,000 per unit		£78,000	
Affordable Rent 2 bed		£89,000 per unit		£178,000	
Affordable Rent 3 bed		£89,000 per unit		£267,000	
Intermediate (Shared Ownership)		179.2 sqm @ £3750 per sqm		£672,000	
Combined Affordable				**£1,195,000**	
Parking		8 spaces @ £40,000 per space		£320,000	
Total Revenue				**£12,405,000**	
		Scheme Costs			
Private Housing Build Costs		1,708 sqm @ £3000 per sqm		£5,130,000	
Affordable Housing Build Costs		527 sqm @ £3000 per sqm		£1,600,000	
S106				£78,750	
Crossrail CIL				£85,400	
Marketing & Sale Fees		4%		£450,000	
Total Direct Costs				**£7,300,000**	
Finance Costs				£900,000	
Developer Profit		20% Private, 6% Affordable		£2,300,000	
Total Costs				**£10,500,000**	
Residual Site Value				**£1,905,000**	
Employment Land Value +20%				£1,800,000	
Difference				£105,000	
		Analysis			
		With CIL		**Current System**	
Camden CIL		£427,000		£0	
Crossrail CIL		£85,400		£85,400	
S106		£78,750		£150,000	
Total Contribution		£600,000		£235,400	
Residual Site Value after Contributions		**£1,478,000**		**£1,830,000**	
Camden CIL as % of Dev Cost		4.1%			
Camden CIL as % of Completed Value		3.4%			
% Change in Residual Value as a Result of Applying Camden CIL		**22%**			

CENTRAL		Appraisal Results			
Scheme		**15**			
Scheme details		**15 flats, 50% affordable, 600 sqm retail**			
		Private	**NIA (sqm)**	**Affordable**	**NIA (sqm)**
Residential Unit Mix	**1 Bed Flat**	2 Units (25%)	100	1 Unit (14%)	50
	2 Bed Flat	3 Units (37.5%)	210	3 Units (43%)	210
	3 Bed Flat	3 Units (37.5%)	264	3 Units (43%)	258
	Total	**8 Units**	**574**	**7 Units**	**518**
Combined Residential NIA		**1,092 sqm total**			
Commercial Net Lettable Area		**510 sqm**			
		Scheme Revenue			
Market Housing		574 sqm @ £9,688 per sqm		**£5,561,000**	
Affordable Rent 1 bed		£78,000 per unit		£78,000	
Affordable Rent 2 bed		£89,000 per unit		£267,000	
Affordable Rent 3 bed		£89,000 per unit		£267,000	
Intermediate (Shared Ownership)		207 sqm @ £4,844 per sqm		£1,003,000	
Combined Affordable				**£1,615,000**	
Parking		3 spaces @ £40,000 per space		£120,000	
Commercial		£431 rent per sqm @ 6.6% yield		**£3,170,000**	
Total Revenue				**£10,466,000**	
		Scheme Costs			
Private Housing Build Costs		660 sqm @ £2597 per sqm		£1,710,000	
Affordable Housing Build Costs		595 sqm @ £2597 per sqm		£1,550,000	
Commercial Build Costs		600 sqm @ £1184 per sqm		£746,000	
Crossrail CIL				£63,000	
S106				£63,000	
Marketing & Sale Fees		4%		£223,000	
Retail Prof Fees		12%		£154,000	
Total Direct Costs				**£4,509,000**	
Finance Costs				£775,000	
Developer Profit				£1,844,000	
Total Costs				**£7,128,000**	
Residual Site Value				**£3,338,000**	
Employment Land Value +20%				£3,600,000	
Difference				**-£274,000**	
		Analysis			
		With CIL		**Current System**	
Camden CIL		£114,000		£0	
Crossrail CIL		£63,000		£63,000	
S106		£63,000		£120,000	
Total Contribution		£240,000		£183,000	
Residual Site Value after Contributions		**£3,212,000**		**£3,269,000**	
Camden CIL as % of Dev Cost		1.6%			
Camden CIL as % of Completed Value		1.1%			
% Change in Residual Value as a Result of Applying Camden CIL		3.4%			

APPENDIX D: RESULTS OF THE AFFORDABLE HOUSING & CIL DEVELOPMENT VIABILITY ANALYSIS

Introduction

We set out below our development viability analysis, which we have displayed in the following Tables.

In each analysis, we have taken the benchmark land value and compared it to land values under different projected levels of CIL. As the levy levels increases, land values decrease. Simply put, the point at which projected land values fall beneath the benchmark land value set identifies the point at which a given CIL Levy will render development unviable.

We have colour coded the analysis Tables as follows:

- **Green** = residual land value matches or exceeds the benchmark land value including the premium – development is therefore likely to be viable;
- Yellow = residual land value is exceeds the benchmark land value excluding the premium but is less than the value inclusive of the premium – development is therefore likely to be marginally viable;
- **Red** = residual land value is less than the benchmark land value – development is therefore likely to be unviable.