



# Report

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## **CIL Economic Viability Assessment Camden Borough Council**

17th June 2014



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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 originally detailed the Preliminary Results of a series of Economic Viability Assessments that were undertaken on behalf of the Council to enable the Council to identify the potential margin for CIL payments.

Since the first publication of this report in September 2012 the Council has published its Preliminary Draft Charging Schedule and received a number of responses to its consultation. In light of these responses the Council has commissioned further work on CIL economic viability, the results of which have now been added into this report to create one comprehensive report on the Economic Viability of CIL for the Camden Borough Council. These additions include the appraisal of additional schemes at the affordable housing threshold, of large scale residential development and of student accommodation schemes.

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.

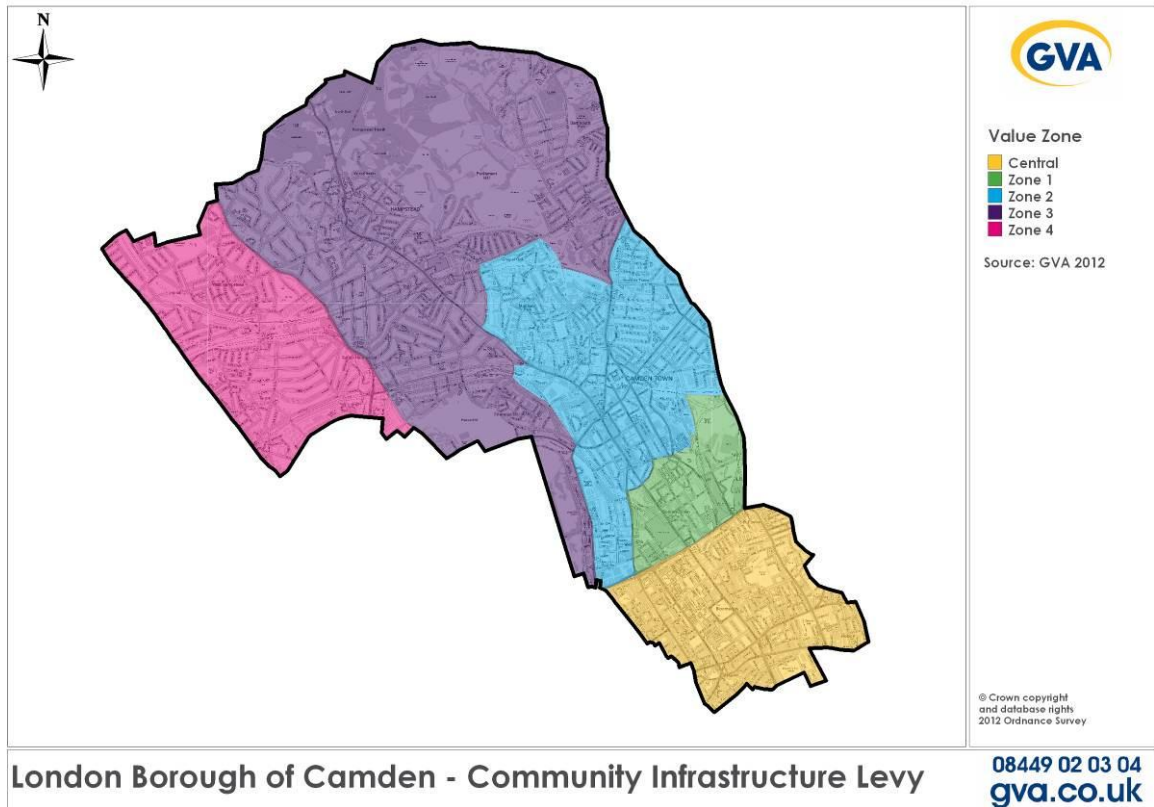
## Development Market Context

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

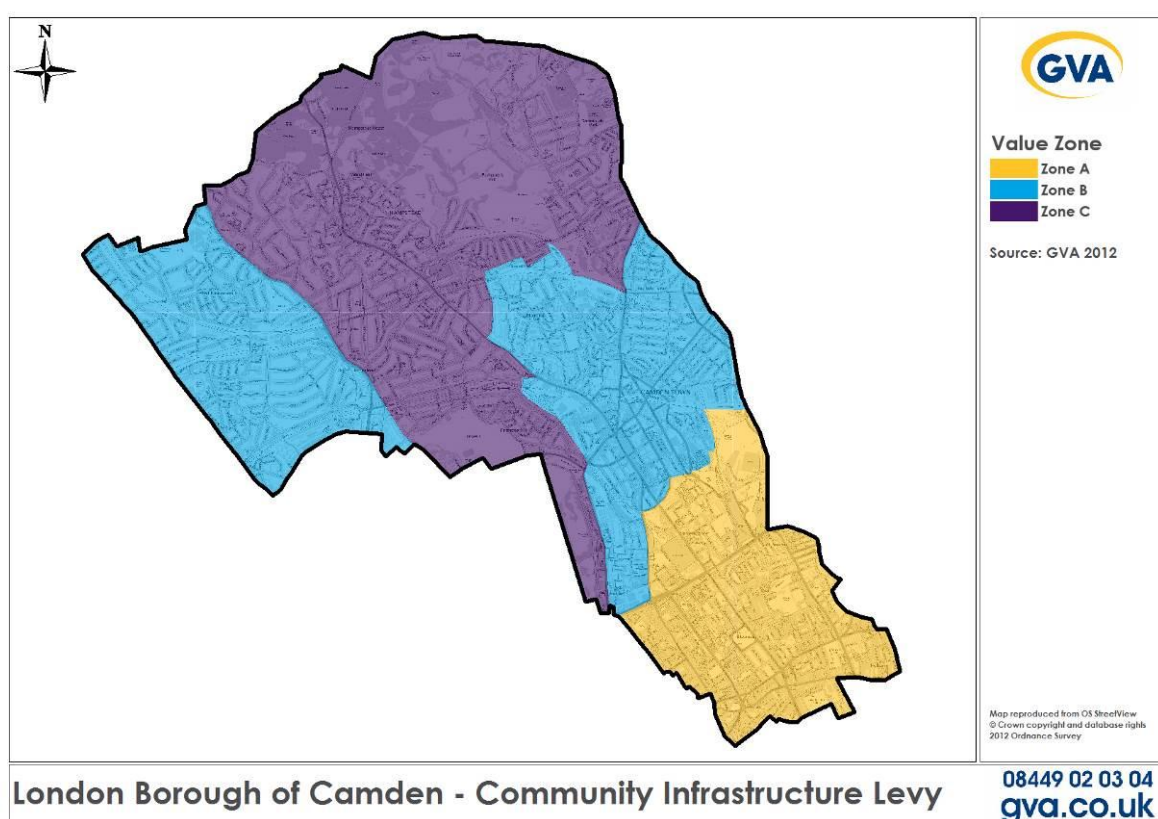
Our analysis suggests that the Council could implement a CIL system incorporating 5 CIL Charging Zones as identified in the map, with the charges set at the levels shown in the table below.



Type of Development	Suggested 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

Type of Development	Suggested CIL Tariff per sq m				
	Central Zone	Zone 1	Zone 2	Zone 3	Zone 4
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	Suggested CIL Tariff per sq m		
	Zone A	Zone B	Zone C
Residential below 10 dwellings	£500	£500	£500
Residential above 10 dwellings	£150	£250	£500
Residential Care Homes	£150	£250	£500

Type of Development	Suggested CIL Tariff per sq m		
	Zone A	Zone B	Zone C
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:

Suggested CIL Tariff (per Sq M)	Type of Development
<b>Band 1</b>	
£500	<ul style="list-style-type: none"> <li>Residential below 10 dwellings</li> <li>Residential above 10 dwellings (Zone C)</li> <li>Residential Care Homes (Zone C)</li> </ul>
<b>Band 2</b>	
£400	<ul style="list-style-type: none"> <li>Student Housing (Zones B &amp; C)</li> </ul>
<b>Band 3</b>	
£250	<ul style="list-style-type: none"> <li>Residential above 10 dwellings (Zone B)</li> <li>Residential Care Homes (Zone B)</li> </ul>
<b>Band 4</b>	
£175	<ul style="list-style-type: none"> <li>Student Housing (Zone A)</li> </ul>
<b>Band 5</b>	
£150	<ul style="list-style-type: none"> <li>Residential above 10 dwellings (Zone B)</li> <li>Residential Care Homes (Zone B)</li> </ul>
<b>Band 6</b>	
£45	<ul style="list-style-type: none"> <li>Office (Zone B)</li> </ul>
<b>Band 7</b>	
£40	<ul style="list-style-type: none"> <li>Hotel incl holiday hostels (Zone A)</li> </ul>
<b>Band 8</b>	
£30	<ul style="list-style-type: none"> <li>Hotel incl holiday hostels (Zones B &amp; C)</li> </ul>
<b>Band 9</b>	
£25	<ul style="list-style-type: none"> <li>Retail, Restaurants, Bars, Cafes, Use Class D2 and Commercial Leisure uses such as nightclubs</li> <li>Offices (Zones B &amp; C)</li> <li>All other uses not separately identified within the Schedule</li> </ul>
<b>Band 10</b>	

Suggested CIL Tariff (per Sq M)	Type of Development
£0 (Nil)	<ul style="list-style-type: none"> <li>General Public Service Buildings such as libraries, advice centres, health centres, education &amp; training facilities provided by/funded by the public sector</li> </ul>

We recommend that the Council conducts a review in 2017/18 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 2017/18) 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.

1.6 Since the first publication of this report in September 2012 the Council has published its Preliminary Draft Charging Schedule and received a number of responses to its consultation. In light of these responses the Council has commissioned further work on CIL economic viability, the results of which have now been added into this report to create one comprehensive report on the Economic Viability of CIL for the Camden Borough Council. The additions to this report which were not included in the original publication of September 2012 are the following:-

- Clarification of the use of Benchmark Land Values (Section 2). Benchmark Land Values have been assessed with reference to local Employment Land Value + 20%. The Employment Land Value is based on an estimate of prevailing industrial land values in each respective value area.
- Addition of the sub-heading 'Timing of Camden CIL' (Section 2). This has been included to explain the implications of using the residual land valuation method for implied timing of Borough CIL payments.
- Testing of Schemes 1A and 1B (Sections 2 and 3). These schemes represent provision of residential floorspace below and above the Borough threshold for affordable housing respectively. This testing was carried out in order to more closely examine the viability of schemes around the threshold and the impact of the need to provide affordable housing on the ability of schemes to afford a CIL contribution;
- Testing of Scheme 9A (Sections 2 and 3). This is a 300 unit residential scheme which has been included in order to further assess the viability of larger schemes. In the original report of September 2012 the largest residential scheme tested was for 150 units;
- Testing of Scheme 20A (Sections 2 and 3). This is a 150 unit student accommodation scheme which has been included in order to assess whether the scale of student development has an impact on viability. In the original report of September 2012 the only student scheme tested was of 300 units.
- Clarification of the intended charging rates for Residential Care Homes (Section 3). In response to comments received from the consultation on the Preliminary Draft Charging Schedule, we have clarified that we intend that developments classified as use class C2 should not pay a CIL charge, and that our proposed Residential Care Homes charge be levied against the elements of care home schemes which are classed as C3 use.
- Analysis of the suggested CIL rates as a percentage of build costs and GDV (Section 6). This additional analysis was carried out in order to understand to a greater extent the potential impact which the proposed CIL rates would have on the viability of development across the Borough.

- Addition of house price mapping analysis (Appendix B). These maps have been included to provide a visualisation of the geographical distribution of house prices across the Borough. They include actual prices, average prices and weighted average prices by value zone.
- Addition of further example development appraisals (Appendix C).

## Report Structure

1.7 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 across the Borough;
- **Section 5** – Details our conclusions and principal recommendations;
- **Section 6** – Provides analysis of the proposed CIL rates as a percentage of build costs and GDV for each scheme tested; and
- **Technical Appendices** – Provide the underlying data sets 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** - 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 the Borough 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, 24 hypothetical development schemes (Development Typologies) representing the scale, nature and characteristics of current and future development envisaged to come forward across the Borough during the life of the initial CIL. These Typologies include both residential and non-residential uses. Not all typologies are likely to be represented in each zone and the CIL rates identified reflect the need to avoid deterring what is planned or anticipated in particular zones. We are recommending that the CIL be reviewed in 2017/18 which allows for the effects of the CIL rates to be monitored and revised if necessary well within the Core Strategy period.
- 2.6 The Development Typologies are summarised in Table 1, and full details of each of the Development Typologies are included in Appendix A.

**Table 1: Summary of the Development Typologies: Commercial**

Typology	Land Uses
Scheme 1	1 House
Scheme 1A	800 sq m Residential
Scheme 1B	1200 sq m Residential
Scheme 2	2 Flats
Scheme 3	4 Houses

Typology	Land Uses
Scheme 4	6 Flats
Scheme 5	10 Flats
Scheme 6	25 Flats
Scheme 7	50 Flats
Scheme 8	100 Flats
Scheme 9	150 Flats
Scheme 9A	300 Flats
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
Scheme 18	Office – 1,250 sq m GIA
Scheme 19	Hotel – 150 beds
Scheme 20	Student Accommodation – 250 Rooms
Scheme 20A	Student Accommodation – 150 Rooms

2.7 The Development Typologies represent a range and mix of land uses and scales of development that are likely to come forward in Camden and that will secure the delivery of the Council's Core Strategy vision and objectives including sufficient levels of new housing and affordable housing. The scenarios were identified by the council from an assessment of recent delivery of housing and other developments. Summary information on the range and type of developments which have come forward in the recent past and are likely to come forward in the near future is contained in Camden's Annual Monitoring report which is published on a regular basis. We have not tested every sample in every area, but have tested the combinations of scenarios and areas which the Council and we consider are reasonably predicted to come forward and which are representative. We have carried out a number of tests (over 60) and our key results are set out later in the report. The absence of a test for a particular Typology in an area does not mean that it is unviable, merely that it is considered unlikely to be a form of development that is promoted given the characteristics of the area.

## 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 Tables 5 and 6, 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. Appendix B also includes 2011 and 2012 sales record data obtained from Land Registry, which are presented on a number of plans.
- 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 2: Forecast for Commercial Properties**

<b>Capital Growth (% growth)</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2012-15</b>	<b>2012-16</b>
<b>Standard Shops</b>							
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
<b>Standard Offices</b>							
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
<b>All Industrial</b>	-4.0	0.4	1.8	2.2	2.5	0.3	2.8

<b>Nominal Rental Growth (% growth)</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2012-15</b>	<b>2012-16</b>
<b>Standard Shops</b>							
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
<b>Standard Offices</b>							
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
<b>All Industrial</b>	-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, and summarised in Appendix A.

### 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 The Mayor has updated his Supplementary Planning Guidance (SPG) on the 'Use of planning obligations in the funding of Crossrail, and the Mayoral Community Infrastructure Levy'. It came into operation on the 1 April 2013. This updates guidance on implementation of London Plan policies and it replaces the SPG on "use of planning obligations in the

funding of Crossrail" published in July 2010, which applied at the time we undertook the original testing.

- 2.27 Payments for Crossrail under the SPG only apply to Offices, Retail and Hotel development within the Central Activities Zone for the purpose of this testing, and there is a threshold of 500 sq m additional floorspace. The rates have been amended to reflect the fact that the charge will be applied to GIA, not GEA as previously was the case. There was a reduction of 10% for all cases that triggered the liability within the first three years of the scheme, ending March 2013. This has been extended until 31 March 2014. The published rates are subject to indexation, Consumer Price Index, as from April 2011 until the date of payment. The index is up by c 5.3% (March 2013).
- 2.28 The Mayor has also altered the set-off provisions. Previously the applicant could apply the floor area for the same use for any building on the site that had been occupied for some part within the last 5 years. Now the test is the same as that for the CIL Regulations.
- 2.29 Contributions are only payable on net increases in office, retail or hotel floorspace of more than 500 square meters. The majority of the notional mixed use schemes tested include commercial floorspace below this charging threshold.
- 2.30 The Mayor has also introduced an instalment policy for CIL payments, but in the case of contributions under the SPG these are payable on commencement of development, unless other arrangements are agreed.
- 2.31 We have reviewed the changes but conclude that they make no material difference to the advice we gave in respect of the uses to which the SPG applies.
- 2.32 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). In practice, this results in lower suggested CIL rates than would otherwise be the case as within the modelling they are applied to greater floor areas, and therefore in reality schemes are likely to be more viable than suggested in our analysis.

### Timing of Camden CIL

- 2.33 In using the residual land value model, that is assessing viability with regard to development surplus in excess of a benchmark land value, we have assumed that the surplus is available for the payment of CIL. In doing so, we have effectively therefore assumed that all CIL will be payable at commencement of development in a lump sum. In reality, however, we note that the Council is currently considering introducing a CIL Instalment Policy to allow for payments to be spread across the development programme. This would have the effect of reducing the cost burden and improving viability. In not taking account of the potential for CIL to be paid in instalments, we have effectively produced lower suggested CIL rates than would be the case in practice.

**Table 3: 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 4: 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)

## Offset for existing floor area

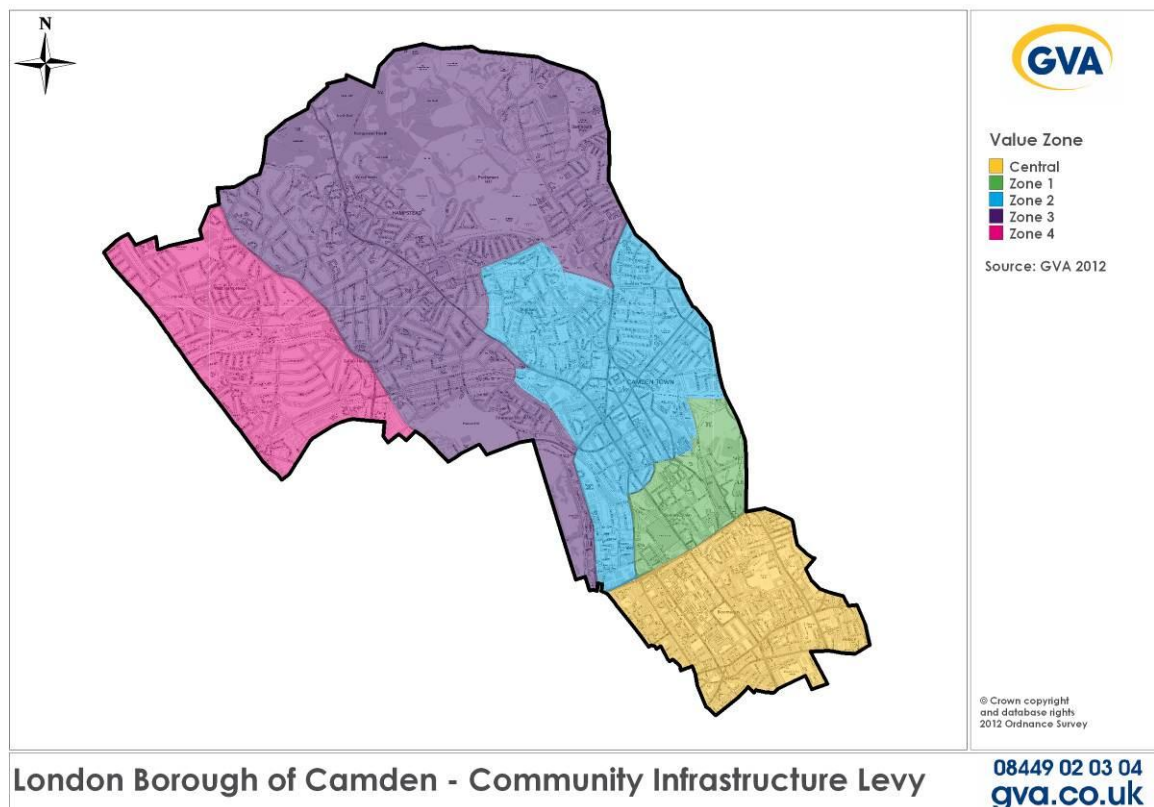
- 2.34 We received an analysis by the Council of planning consents granted by the Council over the last 5 years, for schemes adding 2 or more units or 100sqm. 467 cases were analysed. The analysis shows that the increase in floor area (GIA) as percentage of the proposed was on average c 65% with a median of 69%. The results were slightly smaller for schemes below the affordable housing threshold (average of 35% and median of 54%) and most pronounced for schemes with between 10 and units (average of 58% and median of 75%).
- 2.35 For the testing we have assumed that 100% of the new floor area is subject to CIL i.e. there is no set-off for existing floor area. The change in the CIL Regulations in 2014 was intended, inter alia, to make it easier for applicants to reduce the CIL charge by claiming set-off for existing floor area. In effect, the analysis shows that on average our approach includes a margin or cushion of c 25 – 45%, with the greatest margin for the smaller schemes.

- 2.36 Our approach is very conservative, as observed by Keith Holland in his Report on the Crossrail Examination when commenting on an identical approach used by GVA for the CIL Viability Assessment undertaken for LB Barking & Dagenham and which was considered as part of the borough's evidence at the Crossrail Examination, para 39.
- 2.37 It should also be noted that we have also applied Crossrail CIL and SPG payments with no allowance for set-off.

## Residential Value Areas

- 2.38 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.
- 2.39 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.

**Figure 2. Camden Residential Market Value Areas**



## Benchmarks

- 2.40 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 issued by the RICS in respect of viability for planning applications and Local Plan policies;
  - The usual practice within London when assessing the viability of planning applications using the GLA Toolkit and guidance from the GLA and the Council;
  - Evidence in the borough from viability assessments submitted as part of planning applications;
- 2.41 We have assumed that landowners would expect a premium to be realised above the Base Land Value when selling land for redevelopment. We have, taking into account the findings of recent Examination hearings on other CIL studies such as the London 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%, and that this represents a premium which would be enough to incentivise a landowner to dispose of their landholdings.
- 2.42 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 sought to reflect the predominant, current use within each value area, for example offices in the Central Zone. We consider that we have provided for the value of most instances within the figures we have adopted, accepting that there will be instances where the base value may be greater than the prevailing employment value. It is intended that such instances will fall within the parameters we have adopted by applying 20% uplift to the base land value. We have also checked our base land values with the external chartered surveyor who reviews a number of the viability assessments submitted to the borough as part of the planning application process. This check was to ensure that the base values adopted were not out

of line with those that are typically applied by applicants and the borough for individual planning applications.

- 2.43 In all examples it is assumed that the new development will be at a greater density than the current use/buildings, which is evidenced by planning applications. In the case of the residential schemes it is also assumed that there will be a change of use.
- 2.44 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 5: 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
<b>Industrial - Islington</b>	£1.85m	£1.85m	£2.7m	£2.7m	£2.2m
<b>B1 - London</b>	£3.8m	£4.5m	£5.2m	£5.745m	£4.136m
<b>Residential - Camden</b>	£18.375m	£18.375m	£23.23m	£16.9m	£14m

**Table 6: GVA Adopted Benchmark Land Values excluding Premium or Discount**

	Base Land Value	
VALUE AREA:	per Hectare	per Acre
<b>Central</b>	Up to c.£74m	Up to £30m
<b>Zone 1</b>	c.£17.3m	£7m
<b>Zone 2</b>	c.£9.9m	£4m
<b>Zone 3</b>	c.£9.9m	£4m
<b>Zone 4</b>	c.£9.9m	£4m

- 2.45 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. The use of high base land values results in less surplus available for CIL payments, and therefore lower suggested rates. It is again conservative.

## Additional Analysis

- 2.46 We have analysed the level of proposed CIL charges as a percentage of the completed value of the assumed scheme and also CIL as a percentage of the total development costs of the assumed scheme. 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

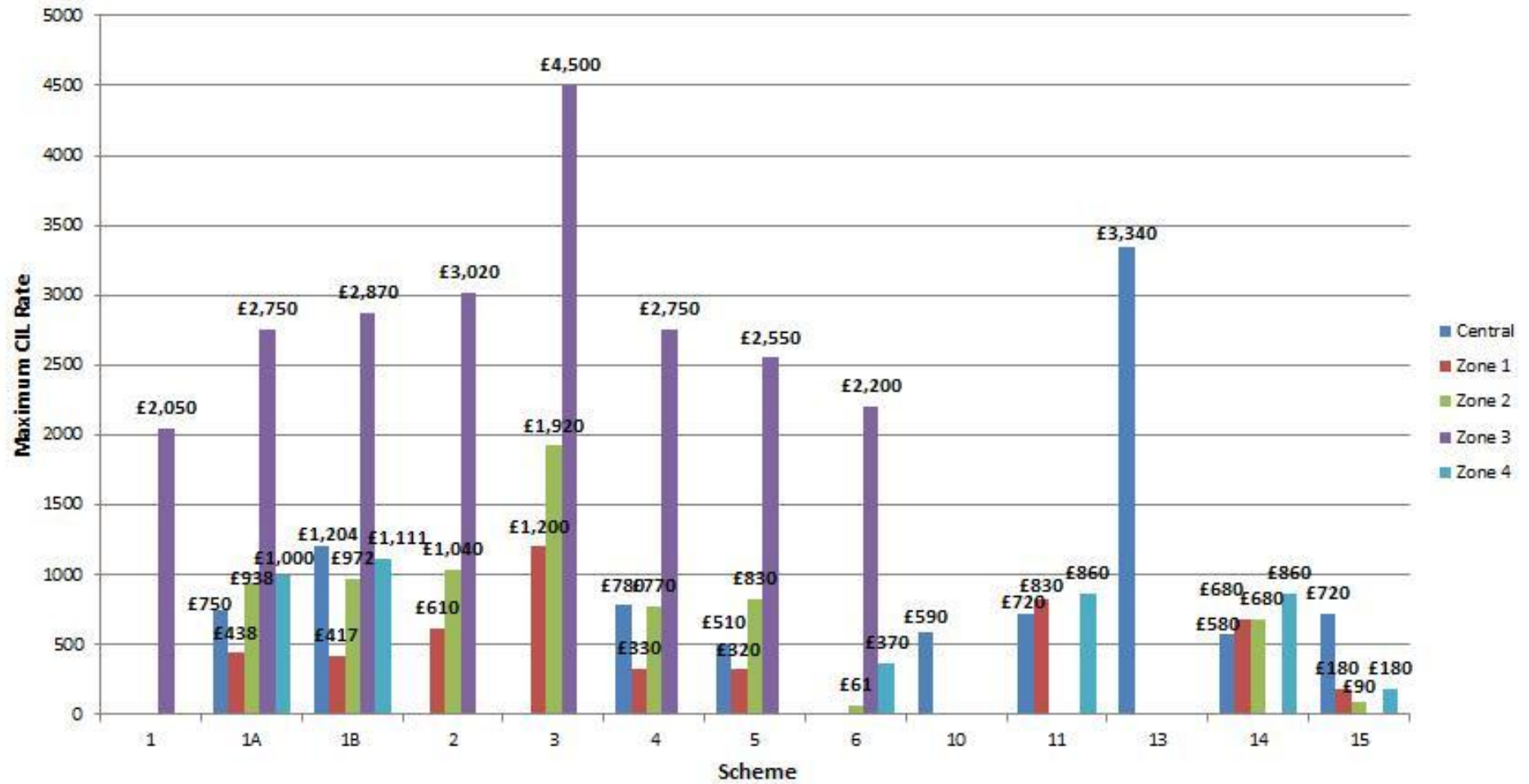
- 3.1 In this section we summarise the findings from the testing that has been carried out for development across the Borough. As discussed previously, we have applied three tests to assess what figure may be appropriate :-
1. Employment Land Values for each Value Area plus a premium (20%);
  2. CIL as a percentage of the completed value of the assumed scheme
  3. CIL as a percentage of the total development costs of the assumed scheme

### Residential

- 3.2 In the following graphs we have set out the maximum amount of CIL our appraisals show each development typology could viably afford to contribute, having applied each of the tests. Not every scenario has been tested in every value area, as the analysis has focused on a representative selection of schemes and locations where it is expected most development will come forward in the next 5 years. This approach is consistent with Government guidance on what evidence is needed to inform the proposed rates of CIL.
- 3.3 We have included examples of the appraisals undertaken in Appendix C to arrive at the figures below.



Graph 1: Maximum CIL Rate (£ per sq m) for Typologies based on Affordable Housing at Policy Level – 2012 Values & Costs



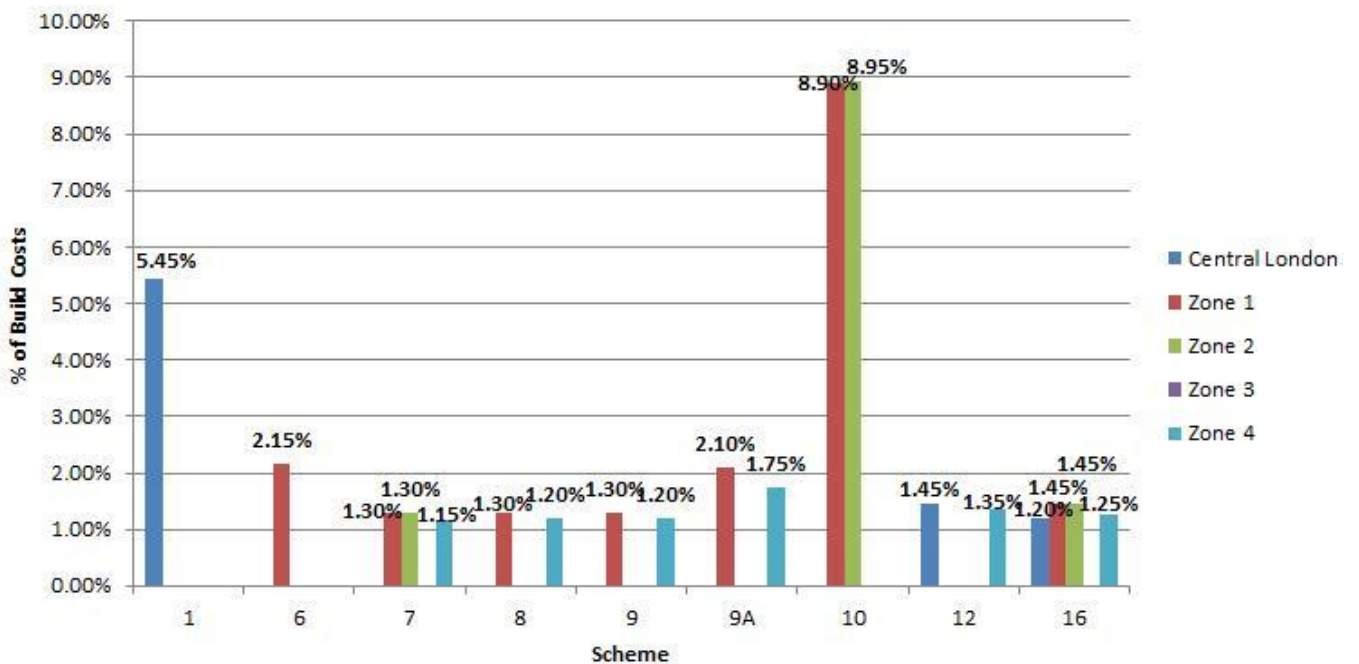
- 3.4 As can be seen, there are a range of answers depending on which Scheme in which area is considered. Our original analysis also included considering the effect of varying build costs and private sale values, see Appendix D of the GVA Report July 2013.
- 3.5 With regard to Schemes 1A and 1B, tested in response to the consultation on the Preliminary Draft Charging Schedule, it can be seen that schemes both above and below the affordable housing threshold are viable and can afford to make a CIL contribution.
- 3.6 There are a number of cases where the results suggest a scheme is unviable. This can arise for one of two reasons: (1) the residual land value is positive but below the adopted Base Land Value, or (2) the residual land value is Nil or Negative, based on our assumptions as the level of affordable housing (all Schemes produce a positive residual land value if the amount of affordable housing is reduced) . In Appendix D of the GVA Report July 2013 are the individual figures for each Scheme.
- 3.7 Our analysis shows that the only Schemes, adopting 2012 values and costs and no affordable housing, that do not exceed the adopted Base Land Value, are Schemes 7 (Zones 1 & 2), Scheme 8 (Zone 1), Scheme 9 (Zone 1), Scheme 9A (Zone 1), Scheme 16 (Zone 4) and Scheme 17 (Central; it should be noted that all these Schemes generate a positive land value but it is 20-80% below the adopted Base Land Value. All the other Schemes can afford to provide some affordable housing and also pay CIL. We would note that this is also borne out by the Council's actual experience over the last few years. The Council's affordable housing policy expressly provides for viability to be taken into account in identifying the appropriate level of provision. We would note that the results for these Schemes, with the exception of Scheme 8, would suggest that irrespective of CIL these forms of Scheme are unlikely to come forward unless and until market conditions significantly improve; even adopting our 2016 assumptions does not give a residual land value that exceeds the adopted Base Land Value.
- 3.8 Below we present the findings of additional analysis of the proposed CIL rates conducted since the publication of the original CIL Economic Viability report in September 2012. This analysis was carried out in order to understand to a greater extent the potential impact which the proposed CIL rates in the Preliminary Draft Charging Schedule would have on the viability of development across the Borough. In particular, it entailed looking at those cases where it was not clear from the initial analysis whether the introduction of CIL would deter development. As previously mentioned, we have assumed that CIL is charged on 100% of the new floorspace for each development scenario, with no off-set for any existing floorspace that may have been in lawful use prior to development commencing. However, as the analysis of the Council shows, this is not representative of the true picture of the development situation where many development sites already have buildings on them. We would also note that the smallest schemes (below the affordable housing threshold) appear to have the largest relative amount of existing floor area, and therefore the biggest inbuilt cushion.

## CIL as a Percentage of Build Costs

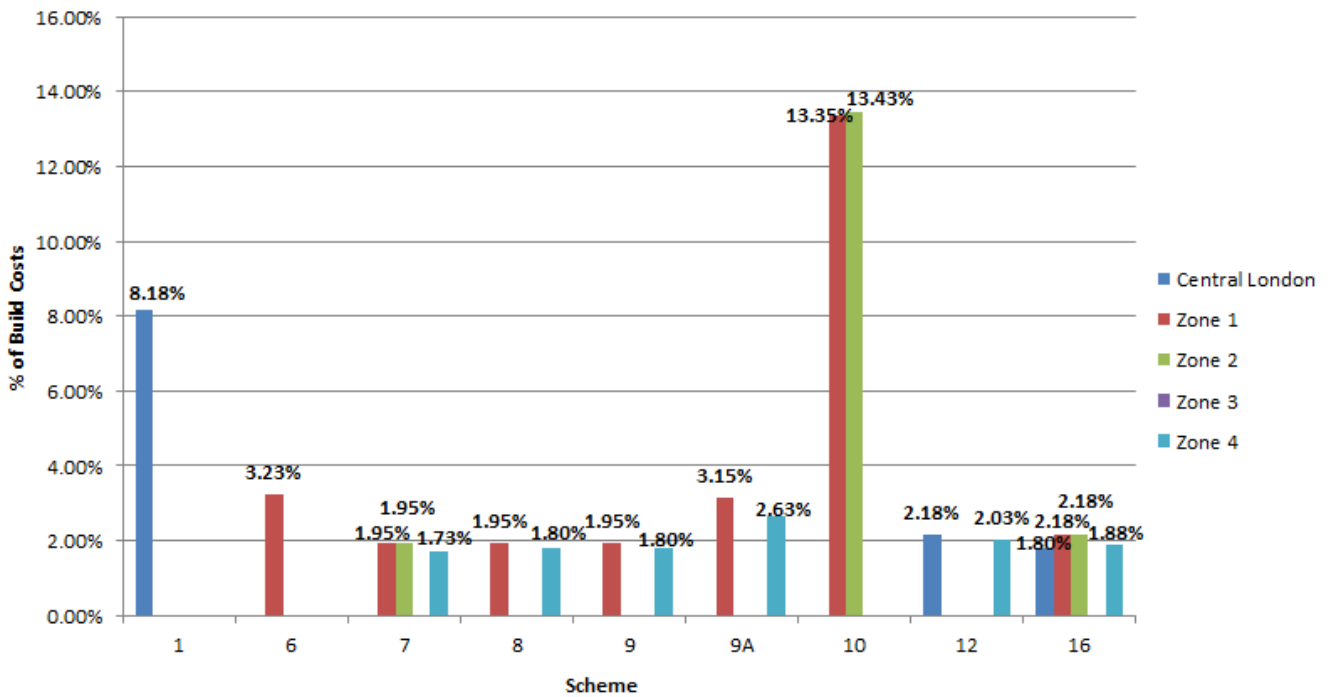
3.9 Our analysis below shows those cases where there is uncertainty from the initial testing as to whether the proposed CIL can be afforded. We have shown the consequences of the proposed CIL by reference to total build costs (**Graphs 2 – 4**) and by reference to the GDV (**Graphs 5 – 7**) where there is (1) a 50% off-set for existing floor area, (2) a 25% off-set, and (3) no off-set (see Appendix E for test results). The graphs below show the results of the analysis of the CIL rates proposed in the Preliminary Draft Charging Schedule as a proportion of build costs for each scheme.

3.10 The results show that except for Schemes 1 and 10, the proposed CIL as a percentage of Build Cost is modest 1-3%. This is less than the Building Contingency sum that has been adopted, 5%, and is in the range that has found to be acceptable by Examiners for other proposed CILs. The exceptions are Scheme 1 in Central London, which is a single house, and Scheme 10, which comprises 4 flats above a small office. Neither scheme is therefore required to provide affordable housing, and the developer of Scheme 1 may now be entitled to exemption under the 2014 CIL Regulations on the basis that it will be for self-build housing.

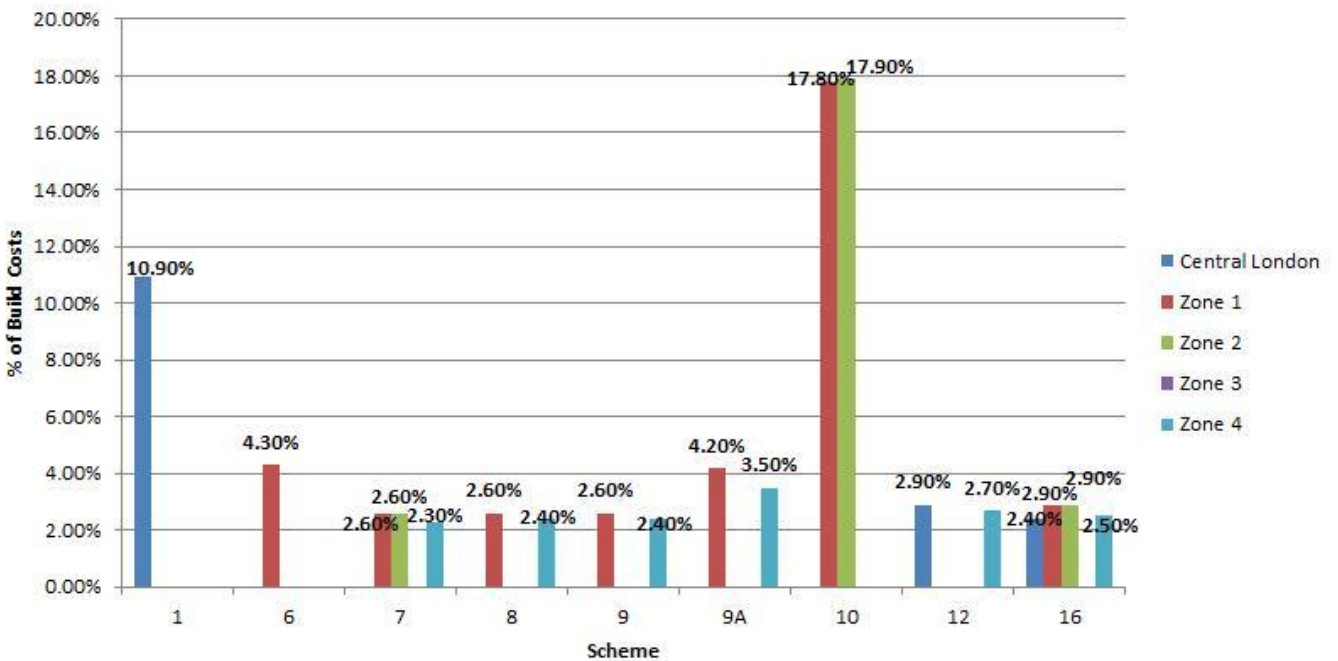
**Graph 2: CIL as a Percentage of Build Costs Schemes – 50% Offset for Existing Floorspace**



**Graph 3: CIL as a Percentage of Build Costs Schemes – 25% Offset for Existing Floorspace**



**Graph 4: CIL as a Percentage of Build Costs Schemes – 0% Offset for Existing Floorspace**



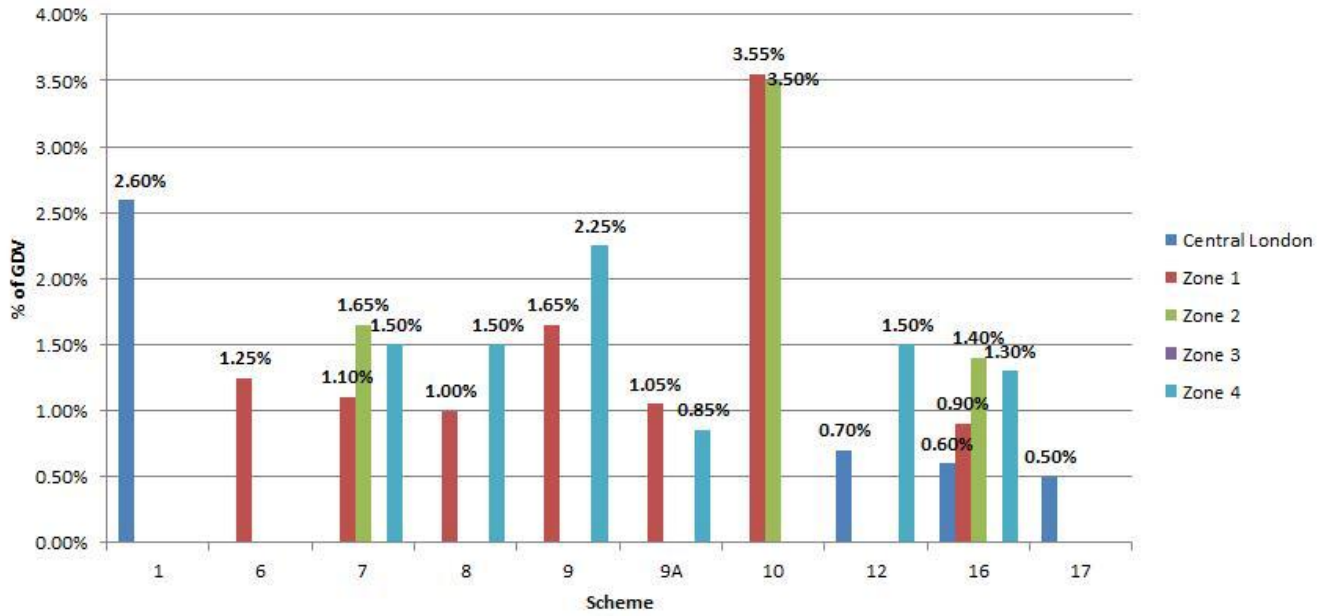
### CIL as a Percentage of Gross Development Value

3.11 The graphs below show the results of the analysis of the CIL rates proposed in the Preliminary Draft Charging Schedule as a proportion of GDV for each scheme. The graphs show which schemes were found not to be viable in our testing.

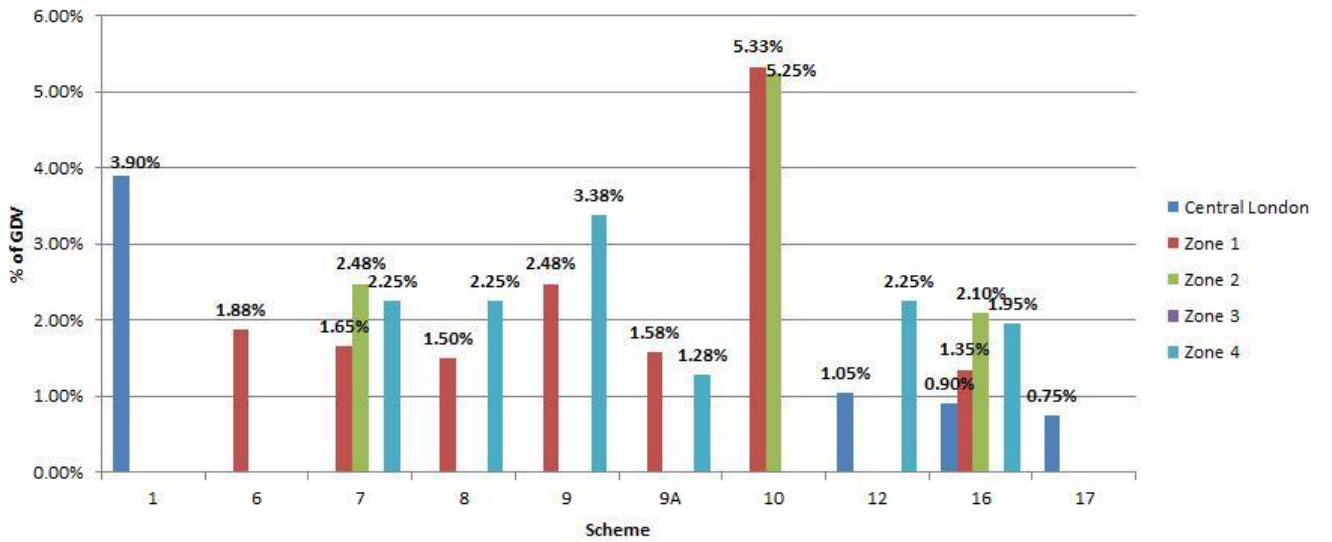
3.12 The results mirror the analysis of CIL as a percentage of Build Costs, with the majority of answers being less than 3%, which is less than figures that have been suggested by

Examiners for other CILs. Again, the two exceptions are Scheme 1 in Central London, and Scheme 10.

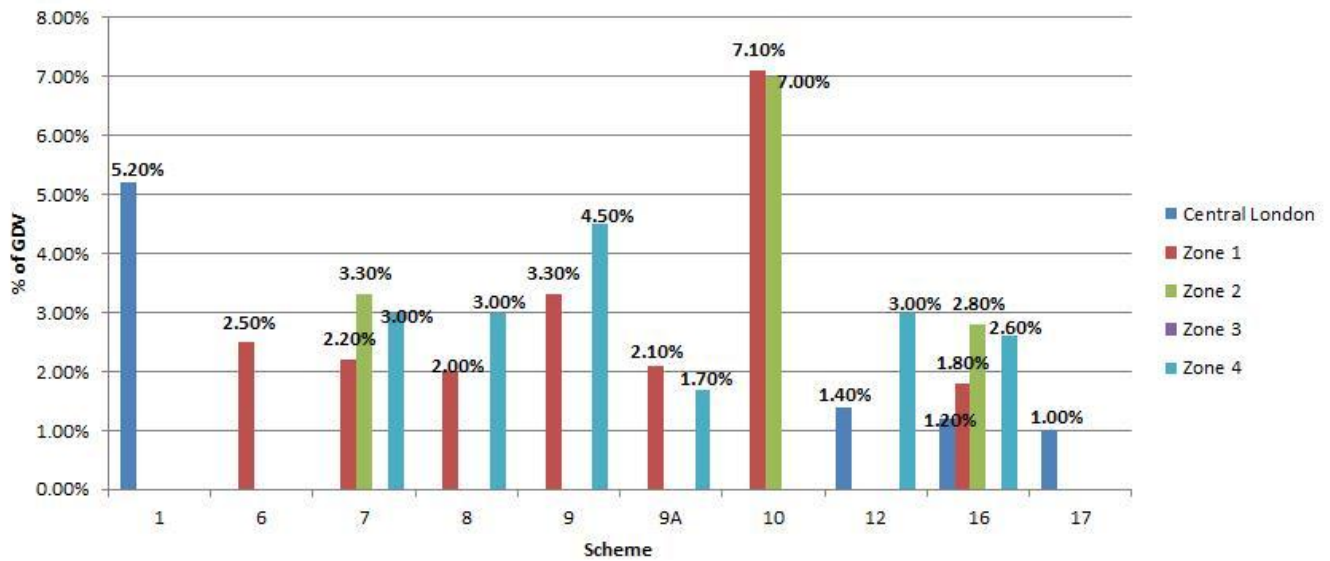
**Graph 5: CIL as a Percentage of GDV Schemes – 50% Offset for Existing Floorspace**



**Graph 6: CIL as a Percentage of GDV Schemes – 25% Offset for Existing Floorspace**



Graph 7: CIL as a Percentage of GDV Schemes – 0% Offset for Existing Floorspace



3.13 We conclude from these results that the proposed CIL Rates cannot be considered an impediment to development, and that delivery of actual schemes will be dependent on other considerations.

## Proposed CIL Charges

3.14 As can be seen there are a range of answers depending on which test is applied. For many of the development scenarios the analysis shows that quite high levels of CIL could be charged without development being deterred. In cases where the viability picture is less clear from the appraisal it can be seen that the CIL will be a small proportion of the value or cost of a whole range of development scenarios which are likely to come forward particularly when it is considered that CIL will only be charged on the uplift of development which will often be the case for most development in Camden. The development scenarios have been selected to represent the range and type of development which will deliver the core strategy and it is not considered that the proposed levels of CIL will deter this development from coming forward.

3.15 Taking account of the range of evidence, and the statutory test in the CIL Regulations to strike an appropriate balance between the desirability of funding infrastructure from the levy and the potential effects of the levy on the economic viability of development across the area., we consider that the appropriate CIL rates for housing (Use Class C3) within each Zone to be:

**Table 7: Residential Suggested CIL Charge 2012 & up to 2016**

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

- 3.16 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 4, to create three Charging Zones.

**Table 8: Residential Proposed CIL Charge 2012 & up to 2016 (three Charging Zones)**

VALUE AREA	Potential CIL Charge (£psm)		Potential CIL Charge (£psm)	
	2012		Up to 2016	
	Below 10 Dwellings	Above 10 Dwellings	Below 10 Dwellings	Above 10 Dwellings
<b>Zone A</b>	£500	£150	£500	£150
<b>Zone B</b>	£500	£500	£500	£500
<b>Zone C</b>	£500	£250	£500	£250

## Commercial

- 3.17 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 levels of CIL which our appraisals show can be afforded.

### Office (Use Class B1)

- 3.18 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. Most commercial development will come forward in areas where there are high existing values will mean that these uses are more easily deterred by a CIL charge.

- 3.19 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.
- 3.20 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.
- 3.21 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.
- 3.22 Our forecast (see Table 2) 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.
- 3.23 We conclude that the ability of the office element of a scheme to make a substantial contribution is limited, and we consider that the appropriate charge for each Value Area is:

**Table 9: Office Suggested 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



- 3.24 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 10: Office Suggested 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)

- 3.25 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.
- 3.26 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.
- 3.27 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

- 3.28 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.
- 3.29 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 Internal Area and £50 per sqm Gross Internal Area for CIL.
- 3.30 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."

- 3.31 Our forecast (see Table 2) 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.
- 3.32 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 appropriate charge for each Value Area is £25 per sqm.

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

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

**Table 11: '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

- 3.34 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

- 3.35 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

- 3.36 Based on our testing and analysis we consider that the appropriate charge for each Value Area is as follows:

**Table 12: Retail, Use Class A2-5, Use Class D2 and Commercial Leisure uses Suggested 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

- 3.37 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)

- 3.38 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.
- 3.39 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.

- 3.40 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.
- 3.41 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.
- 3.42 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.
- 3.43 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 appropriate charge for each Value Area is:

**Table 13: Hotel & Hostels (youth and/or holiday) Suggested 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

- 3.44 We suggest that the Council should consider merging the Value Areas to create two CIL Charging Zones:

**Table 14: Hotel & Hostels (youth and/or holiday) Suggested 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

- 3.45 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)

- 3.46 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. Whilst we have assessed the viability of student accommodation let on a University nomination agreement, we note that in reality such development may not incur a CIL charge at all due to the charitable status of most universities.
- 3.47 In the Tables below we have set out the 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 15: Student Accommodation Suggested CIL Charge, 2012 & up to 2016 – High Rents**

VALUE AREA	Potential CIL Charge (£psm)			
	2012		Up to 2016	
	Scheme 20	Scheme 20A	Scheme 20	Scheme 20A
Central	£175	£175	£310	£450
Zone 1	£1,145	£1,000	£1,390	£1,000
Zone 2	£1,145	£1,380	£1,390	£1,225
Zone 3	£550	£550	£780	£720
Zone 4	£550	£550	£780	£720

**Table 16: Student Accommodation Suggested CIL Charge, 2012 & up to 2016 – Average Rents**

VALUE AREA	Potential CIL Charge (£psm)			
	2012		Up to 2016	
	Scheme 20	Scheme 20A	Scheme 20	Scheme 20A
Central	£0	£0	£0	£0
Zone 1	£550	£585	£690	£750
Zone 2	£550	£690	£690	£820
Zone 3	£400	£380	£630	£500

VALUE AREA	Potential CIL Charge (£psm)			
	2012		Up to 2016	
	Scheme 20	Scheme 20A	Scheme 20	Scheme 20A
Zone 4	£400	£380	£630	£500

- 3.48 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.
- 3.49 We consider that the appropriate CIL rates for Student Housing (assuming no S106 Contribution is required) within each Zone are:

**Table 17: Student Accommodation Suggested 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	£500
Zone 4	£400	£500

- 3.50 We suggest that the Council should consider merging the Value Areas to create three CIL Charging Zones:

**Table 18: Student Accommodation Suggested CIL Charge 2012 & up to 2016 (Three Charging Zones)**

VALUE AREA	Potential CIL Charge (£psm)	
	2012	Up to 2016
Zone A	£175	£300
Zone B	£550	£700
Zone C	£400	£500

- 3.51 We note that the inclusion of Scheme 20A, a student accommodation scheme of 150 units, which we have tested subsequent to the consultation on the Preliminary Draft Charging Schedule, has not altered our conclusions with respect to the CIL chargeable on student

accommodation schemes in the Borough. Whilst the smaller scheme demonstrates differing levels of suggested CIL charges, ultimately the same charges are evidenced once charging zones are consolidated to Zones A, B and C, with the exception of Zone C in 2016, which has increased by £100 per sq m since our original report of September 2012. Most importantly, the schemes are viable regardless of scale.

### Residential Care Homes CIL Viability

- 3.52 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.
- 3.53 The planning classification of a particular scheme can be difficult and there have been a number of planning appeals on this particular point. In particular, it can give rise to the question as to whether the development/operation may be treated as being effectively conventional residential housing, and therefore subject to the requirements and obligations arising under the relevant Council's planning policies. This can include a requirement to provide affordable housing, or more usually, a commuted sum in lieu.
- 3.54 In our experience developments that are genuinely and wholly within Use Class C2 will not be able to afford a CIL contribution. We would recommend that schemes that are classified as Use Class 3 be charged a CIL in line with the rates proposed for other forms of C3 housing. The C3 elements of any care home should therefore be charged at the following rates.

**Table 19: Residential Care Homes Suggested CIL Charge, 2012 & up to 2016 (Three Charging Zones)**

VALUE AREA	Potential CIL Charge (£psm)	
	2012	Up to 2016
Zone A	£150	£150
Zone B	£500	£500
Zone C	£250	£250

- 3.55 We would note that the Borough has not received a care home application from a private operator for a number of years and does not anticipate doing so in the future.

### General Public Service Buildings (Use Classes D1)

- 3.56 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

- 3.57 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 is lawful under new Regulations to charge a differential rate within a Use Class in respect of size or number of dwellings. We therefore consider that the authority may seek to charge a CIL rate that is determined by reference to the affordable housing threshold.
- 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 CIL rate seeks to ensure that the delivery of affordable housing is optimised.

## Commercial CIL Viability

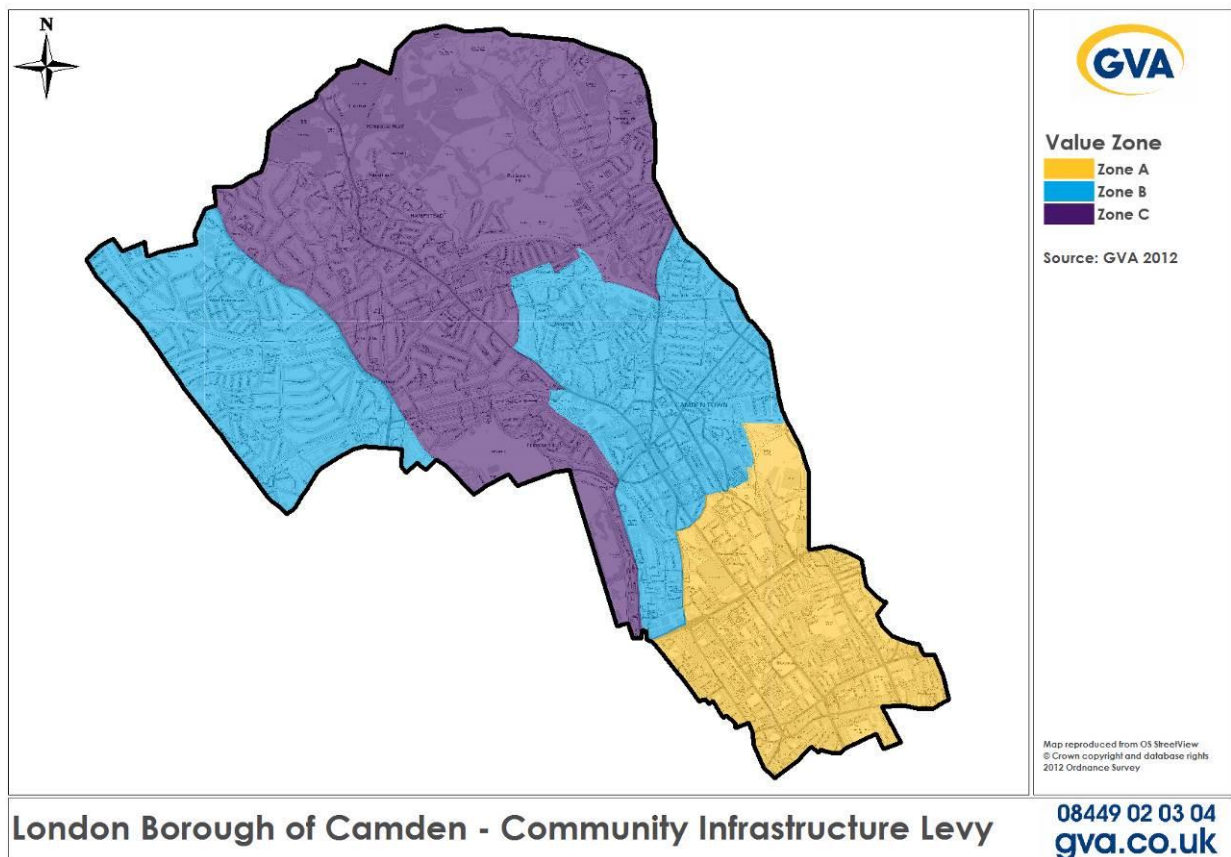
- 4.6 Our research and testing suggests that development which includes commercial elements can be delivered within the Central areas but, as already noted, the market conditions are challenging. We also note that commercial use such as offices, retail and hotels are subject to a material payment towards 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.

## Recommendations

- 4.7 We recommend the following:

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

**Figure 3: Recommended Camden CIL Charging Zones**



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

Table 20: Suggested CIL Charges

Type of Development	Suggested CIL Tariff per sq m		
	Zone A	Zone B	Zone C
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

3. Expressing this as a draft Schedule would show:

Suggested CIL Tariff (per Sq M)	Type of Development
<b>Band 1</b>	
£500	<ul style="list-style-type: none"> <li>Residential below 10 dwellings</li> <li>Residential above 10 dwellings (Zone C)</li> <li>Residential Care Homes (Zone C)</li> </ul>
<b>Band 2</b>	
£400	<ul style="list-style-type: none"> <li>Student Housing (Zones B &amp; C)</li> </ul>
<b>Band 3</b>	
£250	<ul style="list-style-type: none"> <li>Residential above 10 dwellings (Zone B)</li> <li>Residential Care Homes (Zone B)</li> </ul>
<b>Band 4</b>	
£175	<ul style="list-style-type: none"> <li>Student Housing (Zone A)</li> </ul>
<b>Band 5</b>	
£150	<ul style="list-style-type: none"> <li>Residential above 10 dwellings (Zone B)</li> <li>Residential Care Homes (Zone B)</li> </ul>
<b>Band 6</b>	
£45	<ul style="list-style-type: none"> <li>Office (Zone B)</li> </ul>
<b>Band 7</b>	
£40	<ul style="list-style-type: none"> <li>Hotel incl holiday hostels (Zone A)</li> </ul>
<b>Band 8</b>	

Suggested CIL Tariff (per Sq M)	Type of Development
£30	<ul style="list-style-type: none"> <li>Hotel incl holiday hostels (Zones B &amp; C)</li> </ul>
<b>Band 9</b>	
£25	<ul style="list-style-type: none"> <li>Retail, Restaurants, Bars, Cafes, Use Class D2 and Commercial Leisure uses such as nightclubs</li> <li>Offices (Zones B &amp; C)</li> <li>All other uses not separately identified within the Schedule</li> </ul>
<b>Band 10</b>	
£0 (Nil)	<ul style="list-style-type: none"> <li>General Public Service Buildings such as libraries, advice centres, health centres, education &amp; training facilities provided by/funded by the public sector</li> </ul>

4. 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. It should be noted that whilst these Typologies are intended to be representative of the sorts and sizes of schemes that might be promoted over the next 5 years, they are necessarily high level and generic. The schemes that are promoted in reality will differ one from the other and from these examples. Likewise the assumptions as to values and costs will differ in reality due to differences in general and local market conditions from our assumptions, and due to individual, site specific matters.

### 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 1A	800 sq m Residential
Scheme 1B	1200 sq m Residential
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
Scheme 9A	300 Flats

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 A2: Assumed Dwelling Sizes

Unit Type	Private Housing Size (GIA) Sq M	Affordable Housing Size (GIA) Sq M
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

### Assumed Scheme Densities

**Scheme 1:** Central – 35dph, Zone 3 – 15dph

**Scheme 1A:** Central – 333dph, Zone 1 – 208dph, Zone 2 – 208dph, Zone 3 – 111dph, Zone 4 – 111dph

**Scheme 1B:** Central – 481dph, Zone 1 – 300dph, Zone 2 – 300dph, Zone 3 – 161dph, Zone 4 – 161dph

**Scheme 2:** Zone 1 – 231dph, Zone 2 – 231dph, Zone 3 – 132dph

**Scheme 3:** Zone 1 – 58dph, Zone 2 – 58dph, Zone 3 – 42dph

**Scheme 4:** Central – 370dph, Zone 1 – 208dph, Zone 2 – 208dph, Zone 3 – 148dph



**Scheme 5:** Central – 370dph, Zone 1 – 231dph, Zone 2 – 231dph, Zone 3 – 124dph

**Scheme 6:** Zone 1 – 240dph, Zone 2 – 240dph, Zone 3 – 165dph, Zone 4 – 137dph

**Scheme 7:** Zone 1 – 166dph, Zone 2 – 166dph, Zone 4 – 198dph

**Scheme 8:** Zone 1 – 201dph, Zone 4 – 198dph

**Scheme 9:** Zone 1 – 166dph, Zone 4 – 198dph

**Scheme 9A:** Zone 1 – 371dph, Zone 4 – 233dph

**Scheme 10:** Central – 247dph, Zone 1 – 88dph

**Scheme 11:** Central – 296dph, Zone 1 – 221dph, Zone 4 – 132dph

**Scheme 12:** Central – 453dph, Zone 4 – 106dph

**Scheme 13:** Central – 300dph

**Scheme 14:** Central – 296dph, Zone 1 – 221dph, Zone 2 – 221dph, Zone 4 – 132dph

**Scheme 15:** Central – 370dph, Zone 1 – 216dph, Zone 2 – 216dph, Zone 4 – 106dph

**Scheme 16:** Central – 453dph, Zone 1 – 216dph, Zone 2 – 216dph, Zone 4 – 61dph

**Scheme 17:** Central – 296dph

## 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 A5: Commercial Typologies:**

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



Report

**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. This review was conducted for our original report of September 2012. We have updated the review of Camden's residential market and this has been discussed below the 2012 review.

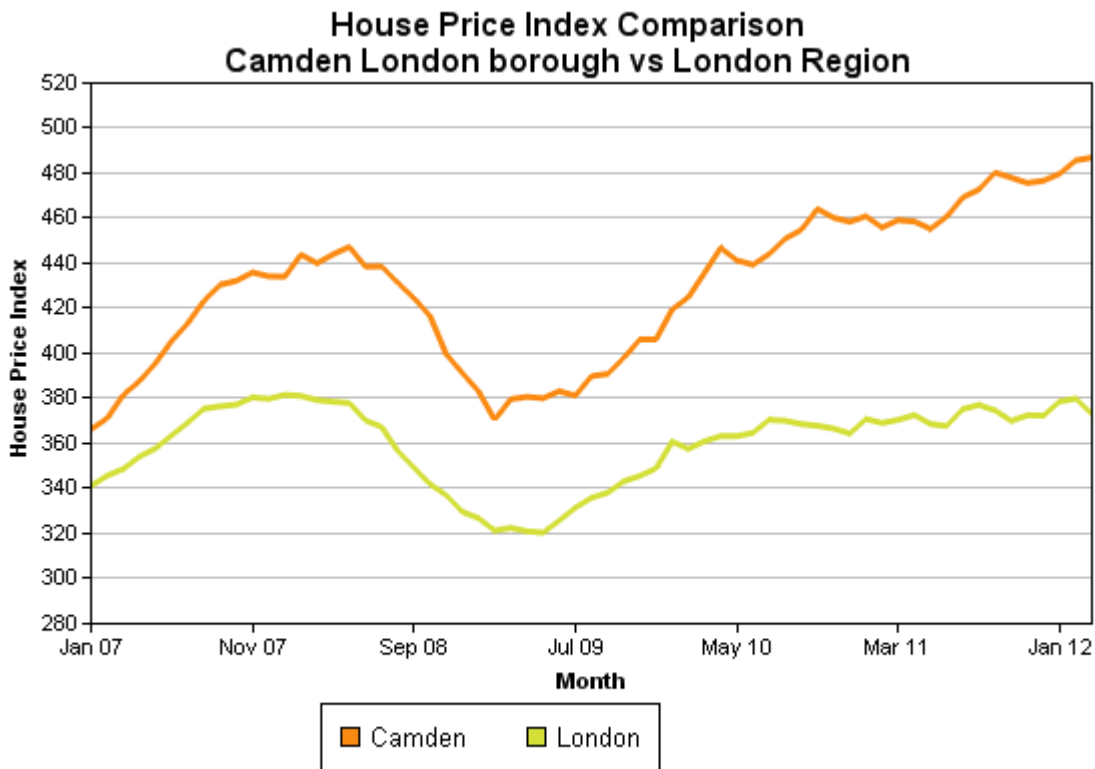
### Residential

#### 2012 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.

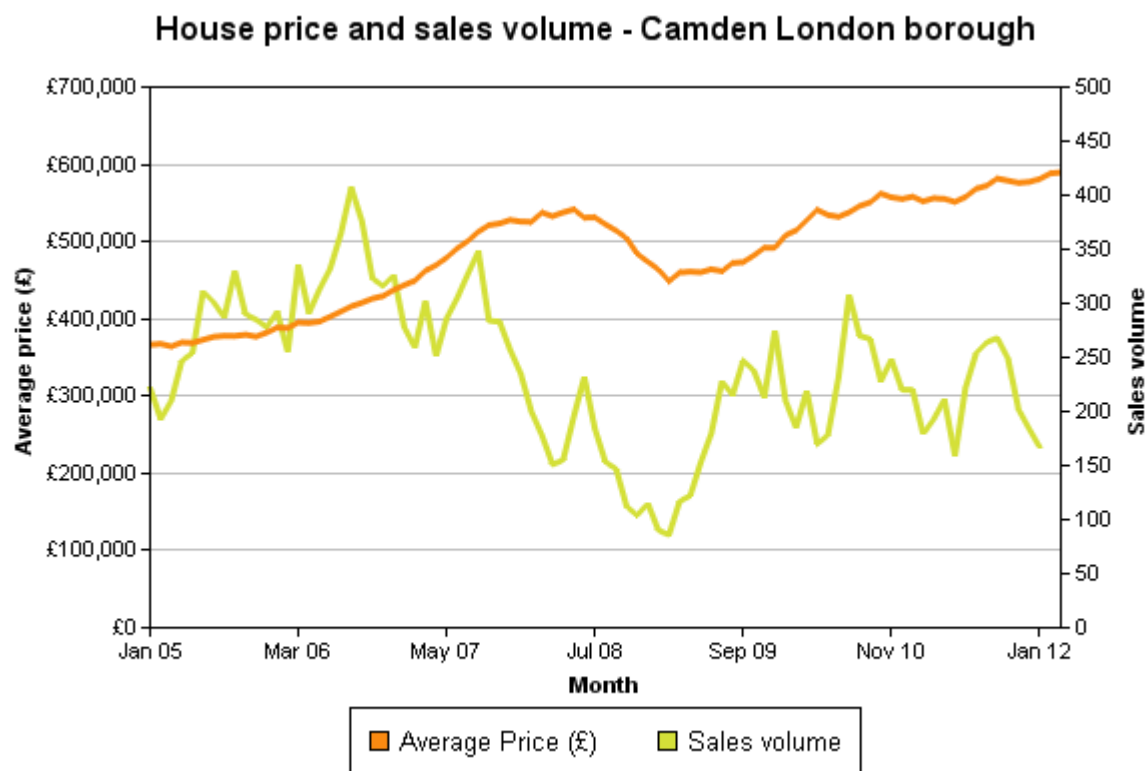
**Figure B1: House Prices in Camden and London Region January 2007 - 2012**



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 B2: 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)
Frognaal 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.

We have obtained from Land Registry the sales records for all residential dwellings in 2011 and 2012; this precludes any dwellings purchased through a corporate vehicle, which means that a number of sales of new dwellings are not included. The results are shown on the following plans.

### Figure B3: Sales Values Map

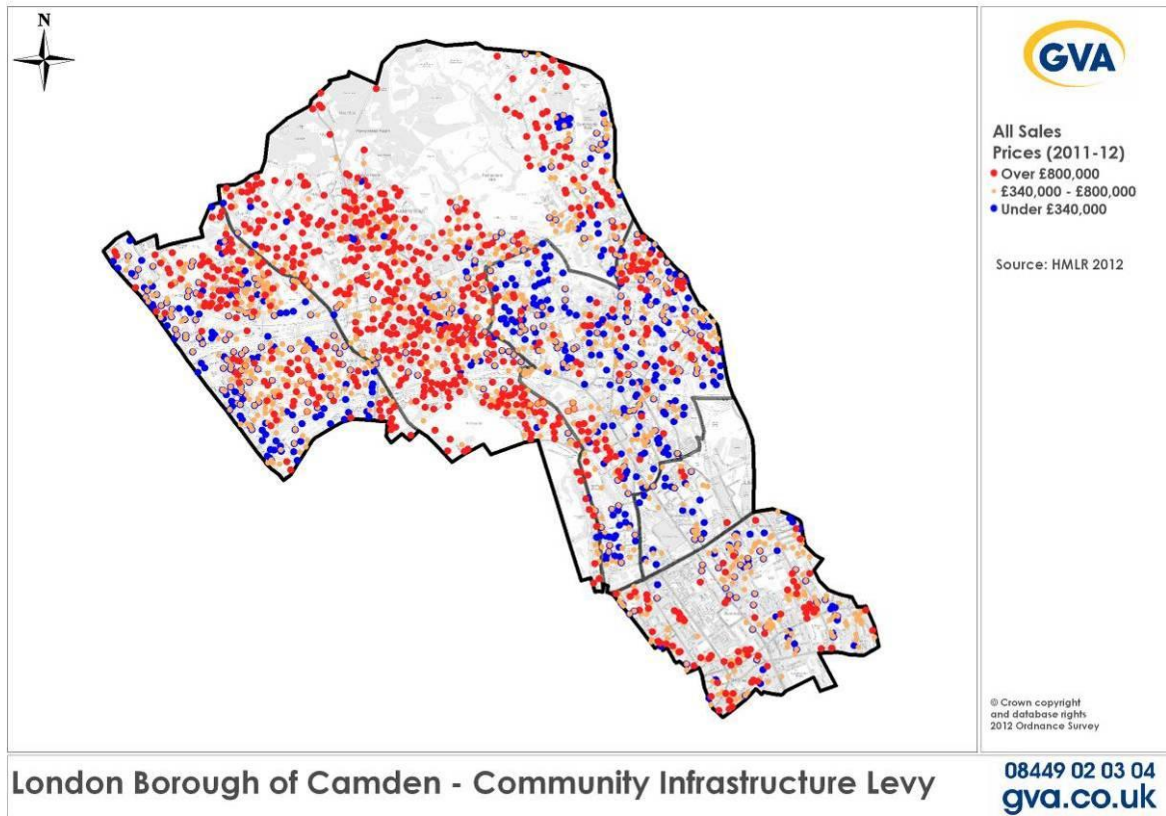


Figure B4: Average House Price Map

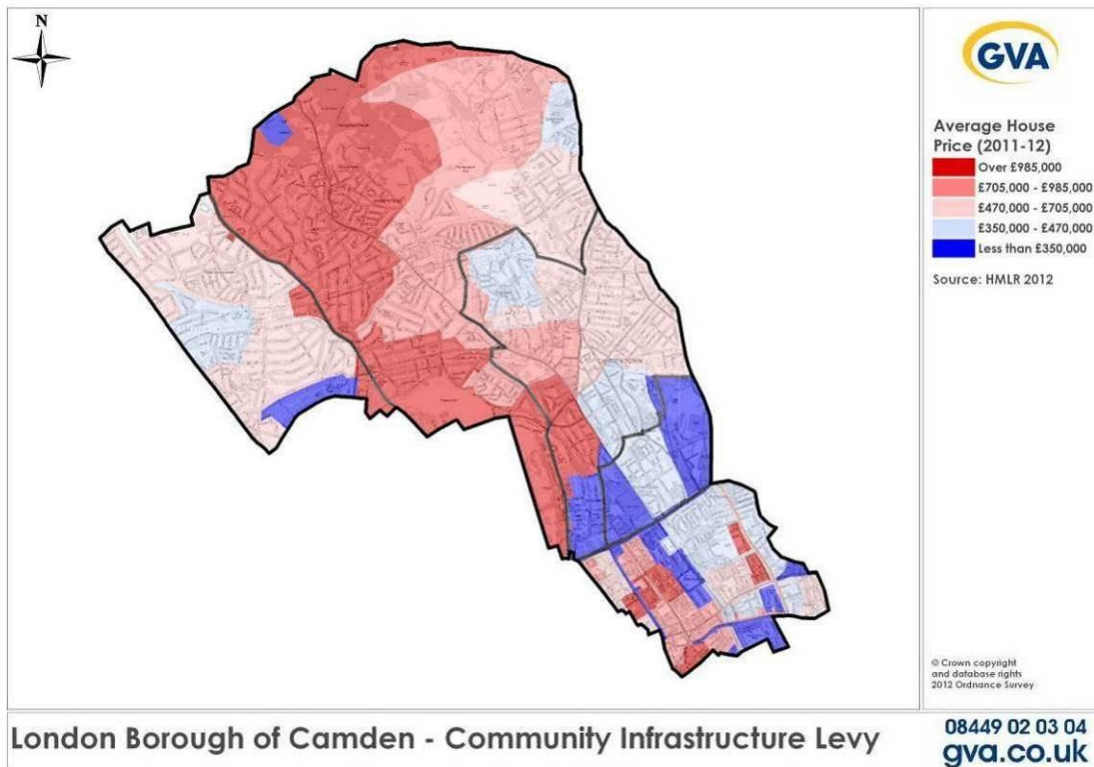
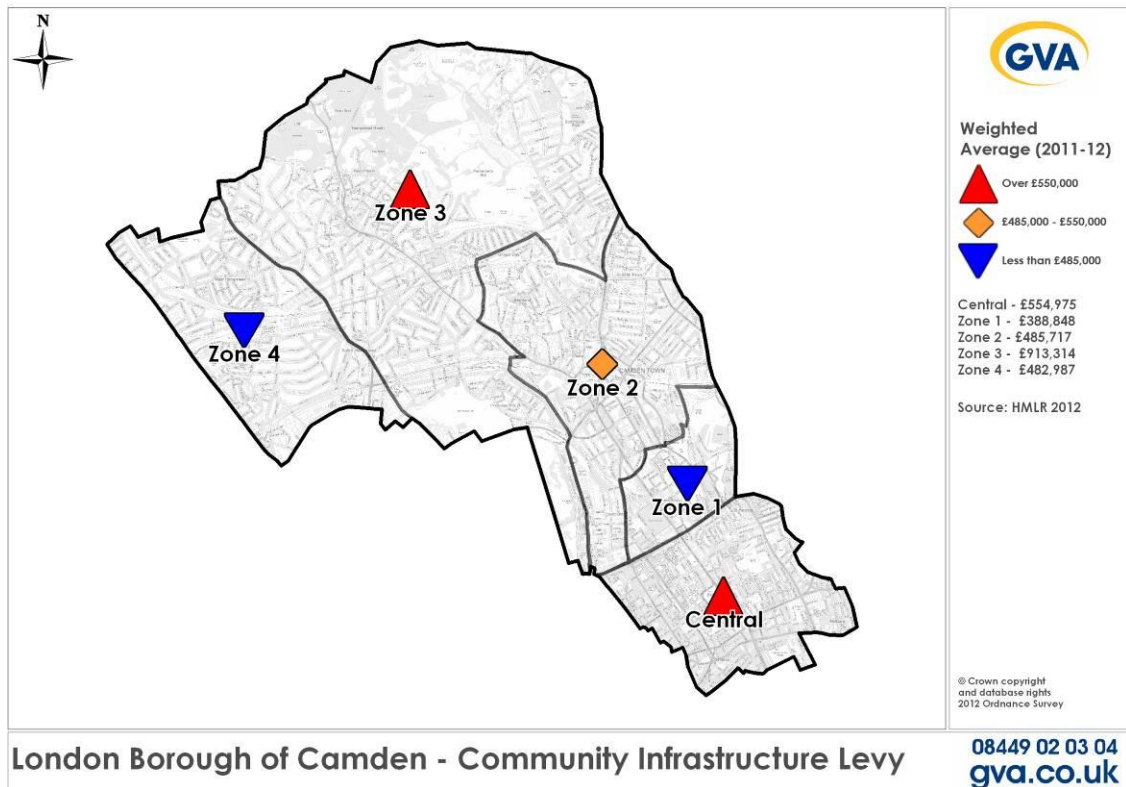


Figure B5: Weighted Average House Price Map



## 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.

Development is also expected to come forward in the Gospel Oak area as part of Camden led proposals to address deprivation through estate regeneration and a strategic planning framework is currently being drawn up for this area.

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 2010/2011 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
<b>% change on previous year</b>						
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)	-
<b>TOTAL</b>	<b>166(74)</b>	<b>683(431)</b>	<b>102(50)</b>	<b>51(29)</b>	<b>17(12)</b>

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, notwithstanding 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 Stratford 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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## 2013 Residential Overview

According to the Land Registry, house prices in Camden have risen by c 14% between Q2/3 and August - October 2013. The November 2013 Acadata House Price Index, produced by LSL Property Services, indicates a rise in house prices in Camden of 12% over the same period. Agents we have spoken to in relation to other viability work in the Borough have corroborated this evidence, typically suggesting that the market is rising by c 10% per annum for new build properties.

According to Rightmove, in 2013, most property sales in Camden involved flats which sold for on average £674,592. Terraced properties sold for an average price of £1,602,508, while semi-detached properties fetched £2,457,778. The priciest area within Camden was Primrose Hill (£1,306,174) and the least expensive was Gospel Oak (£419,617).

Sold prices in Camden were 9% up on the previous year and 19% up on 2010 prices.

## 2013 Student Housing Overview

The yields we adopted for the student accommodation viability testing were 5.5% for schemes let on a university nominations agreement and 6.25% for direct let schemes. We consider these to be appropriate and reflective of market conditions.

Our appraisals were based on rents ranging from £197 per week to £274 per week based on comparable evidence at the time of testing. The variation in the rents adopted reflected both geographical location and the form of letting assumed. Since this time rents have only continued to increase, and some studio rents are considerably in excess of these levels. We consider that our adopted rents are reasonable and reflective of market conditions.

Our appraisals were based on current values and costs in the Borough at the time of testing. The majority of recently developed student accommodation in the Borough is high end, and our assumptions were therefore reflective of this, though lower rents were also tested.

Whilst future accommodation may be predominantly more affordable, any student housing schemes that are promoted will have to be sufficiently profitable to outbid other uses for the land on which they are built. There is effectively therefore a minimum rental level that has to be achieved for student accommodation to be developed, all other variables being equal. If more affordable rents are to be charged build costs may also have to fall, which is reflective of the correspondingly lower specification of such schemes.

We would also note that the Charging Schedule is to be reviewed after 3 years, at which time adjustments can be made if it becomes clear that the nature of the market for student housing in the Borough is changing.

Student accommodation will generate infrastructure needs, notably related to transport, public realm and healthcare.

We have tested the viability of student accommodation schemes with reference to variable rents, base land values, types of letting, scale of development and geographical location. Adopted

assumptions were based on extensive market research and the input of our specialist Student Housing team. We consider that they are reasonable and have seen no submitted evidence to the contrary.



Report

**Appendix C:**  
Example  
Development  
Appraisals

## APPENDIX C: EXAMPLE DEVELOPMENT APPRAISALS

### Central London

CENTRAL	Appraisal Results	
Scheme	10	
Scheme details	4 flats, 145 sq m offices	
	Scheme Revenue	
Market Housing	280 sqm @ £9,688 per sqm	<b>£2,713,000</b>
Commercial	£592 rent per sqm @ 7.37% yield	<b>£909,000</b>
<b>Total Revenue</b>		<b>£3,621,000</b>
	Scheme Costs	
Private Housing Build Costs	322 sqm @ £2365 per sqm	£805,000
Commercial Build Costs	145 sqm @ £1615 per sqm	£246,000
Crossrail CIL		£23,000
S106		£16,000
Marketing & Sale Fees	4%	£109,000
Office Prof Fees	10%	£48,000
<b>Total Direct Costs</b>		<b>£1,246,000</b>
Finance Costs		£294,000
Developer Profit	20% Private	£724,000
<b>Total Costs</b>		<b>£2,264,000</b>
<b>Residual Site Value</b>		<b>£1,357,000</b>
Employment Land Value +20%		£1,440,000
Difference		<b>-£83,000</b>
	Analysis	
	With CIL	Current System
Camden CIL	£168,000	£0
Crossrail CIL	£23,000	£23,000
S106	£16,000	£32,000
Total Contribution	£207,000	£55,000
Residual Site Value after Contributions	<b>£1,150,000</b>	<b>£1,302,000</b>
Camden CIL as % of Dev Cost	7.4%	
Camden CIL as % of Completed Value	4.6%	
% Change in Residual Value as a Result of Applying Camden CIL	15%	

<b>CENTRAL</b>	<b>Appraisal Results</b>	
<b>Scheme</b>	<b>11</b>	
<b>Scheme details</b>	<b>8 flats, 300 sqm offices</b>	
	<b>Scheme Revenue</b>	
<b>Market Housing</b>	500 sqm @ £9,688 per sqm	<b>£4,844,000</b>
<b>Commercial</b>	£592 rent per sqm @ 7.37% yield	<b>£1,880,000</b>
<b>Total Revenue</b>		<b>£6,724,000</b>
	<b>Scheme Costs</b>	
Private Housing Build Costs	575 sqm @ £2500 per sqm	£1,437,000
Commercial Build Costs	300 sqm @ £1615 per sqm	£509,000
Crossrail CIL		£44,000
S106		£31,500
Marketing & Sale Fees	4%	£194,000
Office Prof Fees	10%	£100,000
<b>Total Direct Costs</b>		<b>£2,314,000</b>
Finance Costs		£560,000
Developer Profit	20% Private	£1,345,000
<b>Total Costs</b>		<b>£4,219,000</b>
<b>Residual Site Value</b>		<b>£2,504,000</b>
Employment Land Value +20%		£2,400,000
Difference		<b>£104,000</b>
	<b>Analysis</b>	
	<b>With CIL</b>	<b>Current System</b>
Camden CIL	£301,000	£0
Crossrail CIL	£44,000	£44,000
S106	£63,000	£126,000
Total Contribution	£408,000	£170,000
Residual Site Value after Contributions	<b>£2,096,000</b>	<b>£2,334,000</b>
Camden CIL as % of Dev Cost	7.1%	
Camden CIL as % of Completed Value	4.5%	
% Change in Residual Value as a Result of Applying Camden CIL	16%	



<b>CENTRAL</b>	<b>Appraisal Results</b>	
<b>Scheme</b>	<b>14</b>	
<b>Scheme details</b>	<b>8 flats, 300 sqm retail</b>	
	<b>Scheme Revenue</b>	
<b>Market Housing</b>	500 sqm @ £9,688 per sqm	<b>£4,844,000</b>
<b>Commercial</b>	£431 rent per sqm @ 6.6% yield	<b>£1,587,000</b>
<b>Total Revenue</b>		<b>£6,431,000</b>
	<b>Scheme Costs</b>	
Private Housing Build Costs	575 sqm @ £2500 per sqm	£1,437,000
Commercial Build Costs	300 sqm @ £1184 per sqm	£373,000
Crossrail CIL		£44,000
S106		£31,500
Marketing & Sale Fees	4%	£194,000
Retail Prof Fees	10%	£77,000
<b>Total Direct Costs</b>		<b>£2,156,000</b>
Finance Costs		£517,000
Developer Profit	20% Private	£1,286,000
<b>Total Costs</b>		<b>£3,959,000</b>
<b>Residual Site Value</b>		<b>£2,472,000</b>
Employment Land Value +20%		£2,400,000
Difference		<b>£72,000</b>
	<b>Analysis</b>	
	<b>With CIL</b>	<b>Current System</b>
Camden CIL	£295,000	£0
Crossrail CIL	£44,000	£44,000
S106	£31,500	£63,000
Total Contribution	£370,500	£107,000
Residual Site Value after Contributions	<b>£2,101,500</b>	<b>£2,365,000</b>
Camden CIL as % of Dev Cost	7.5%	
Camden CIL as % of Completed Value	4.6%	
% Change in Residual Value as a Result of Applying Camden CIL	15%	

<b>CENTRAL</b>	<b>Appraisal Results</b>	
<b>Scheme</b>	<b>15</b>	
<b>Scheme details</b>	<b>15 flats, 50% affordable, 600 sqm retail</b>	
	<b>Scheme Revenue</b>	
<b>Market Housing</b>	574 sqm @ £9,688 per sqm	<b>£5,561,000</b>
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
<b>Combined Affordable</b>		<b>£1,615,000</b>
Parking	3 spaces @ £40,000 per space	£120,000
<b>Commercial</b>	£431 rent per sqm @ 6.6% yield	<b>£3,170,000</b>
<b>Total Revenue</b>		<b>£10,466,000</b>
	<b>Scheme Costs</b>	
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	10%	£154,000
<b>Total Direct Costs</b>		<b>£4,509,000</b>
Finance Costs		£775,000
Developer Profit	20% Private, 6% Affordable	£1,844,000
<b>Total Costs</b>		<b>£7,128,000</b>
<b>Residual Site Value</b>		<b>£3,338,000</b>
Employment Land Value +20%		£3,600,000
Difference		<b>-£274,000</b>
	<b>Analysis</b>	
	<b>With CIL</b>	<b>Current System</b>
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	<b>£3,212,000</b>	<b>£3,269,000</b>
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%	

## Zone 1

ZONE 1	Appraisal Results	
Scheme	2	
Scheme details	2 flats, 100% private	
Scheme Revenue		
Market Housing	140 sqm @ £6000 per sqm	<b>£840,000</b>
Total Revenue		<b>£840,000</b>
Scheme Costs		
Private Housing Build Costs	156 sqm @ £2151 per sqm	£335,000
Crossrail CIL		£8,000
Marketing & Sale Fees	4%	£33,600
<b>Total Direct Costs</b>		<b>£376,000</b>
Finance Costs		£47,000
Developer Profit	20% Private	£168,000
<b>Total Costs</b>		<b>£591,000</b>
<b>Residual Site Value</b>		<b>£249,000</b>
Employment Land Value +20%		£180,000
Difference		£69,000
Analysis		
	<b>With CIL</b>	<b>Current System</b>
Camden CIL	£78,000	£0
Crossrail CIL	£8,000	£8,000
S106	£0	£16,000
Total Contribution	£86,000	£24,000
Residual Site Value after Contributions	<b>£163,000</b>	<b>£225,000</b>
Camden CIL as % of Dev Cost	13.2%	
Camden CIL as % of Completed Value	9.3%	
% Change in Residual Value as a Result of Applying Camden CIL	<b>35%</b>	

<b>ZONE 1</b>	<b>Appraisal Results</b>	
<b>Scheme</b>	<b>3</b>	
<b>Scheme Description</b>	<b>4 houses, 100% private</b>	
	<b>Scheme Revenue</b>	
<b>Market Housing</b>	1,300 sqm @ £6,000 per sqm	<b>£7,800,000</b>
<b>Total Revenue</b>		<b>£7,800,000</b>
	<b>Scheme Costs</b>	
Private Housing Build Costs	1,300 sqm @ £1,886 per sqm	£2,452,000
Crossrail CIL		£65,000
Marketing & Sale Fees	4%	£312,000
<b>Total Direct Costs</b>		<b>£2,829,000</b>
Finance Costs		£444,000
Developer Profit	20% Private	£1,560,000
<b>Total Costs</b>		<b>£4,833,000</b>
<b>Residual Site Value</b>		<b>£2,967,000</b>
Employment Land Value +20%		£1,440,000
Difference		<b>£1,527,000</b>
	<b>Analysis</b>	
	<b>With CIL</b>	<b>Current System</b>
Camden CIL	£650,000	£0
Crossrail CIL	£65,000	£65,000
S106	£0	£24,000
Total Contribution	£715,000	£89,000
Residual Site Value after Contributions	<b>£2,252,000</b>	<b>£2,878,000</b>
Camden CIL as % of Dev Cost	13.4%	
Camden CIL as % of Completed Value	8.3%	
% Change in Residual Value as a Result of Applying Camden CIL	24%	

<b>ZONE 1</b>	<b>Appraisal Results</b>	
<b>Scheme</b>	<b>5</b>	
<b>Scheme Description</b>	<b>10 flats, 90% private</b>	
	<b>Scheme Revenue</b>	
<b>Market Housing</b>	644 sqm @ £6,000 per sqm	<b>£3,864,000</b>
Affordable Rent 2 bed	£90,000 per unit	£90,000
Intermediate (Shared Ownership)	28 sqm @ £3,000 per sqm	£84,000
<b>Combined Affordable</b>		<b>£174,000</b>
Parking	3 spaces @ £41,000 per space	£122,000
<b>Total Revenue</b>		<b>£4,159,000</b>
	<b>Scheme Costs</b>	
Private Housing Build Costs	740 sqm @ £2301 per sqm	£1,703,000
Affordable Housing Build Costs	80 sqm @ £2301 per sqm	£185,000
Crossrail CIL		£37,000
S106		£32,000
Marketing & Sale Fees	4%	£155,000
<b>Total Direct Costs</b>		<b>£2,111,000</b>
Finance Costs		£251,000
Developer Profit	20% Private, 6% Affordable	£783,000
<b>Total Costs</b>		<b>£3,145,000</b>
<b>Residual Site Value</b>		<b>£1,013,000</b>
Employment Land Value +20%		£900,000
Difference		<b>£113,000</b>
	<b>Analysis</b>	
	<b>With CIL</b>	<b>Current System</b>
Camden CIL	£111,000	£0
Crossrail CIL	£37,000	£33,000
S106	£32,000	£64,000
Total Contribution	£180,000	£97,000
Residual Site Value after Contributions	<b>£833,000</b>	<b>£920,000</b>
Camden CIL as % of Dev Cost	3.5%	
Camden CIL as % of Completed Value	2.7%	
% Change in Residual Value as a Result of Applying Camden CIL	18%	

## Zone 2

<b>ZONE 2</b>	<b>Appraisal Results</b>	
<b>Scheme</b>	<b>6</b>	
<b>Scheme details</b>	<b>25 flats, 25% affordable</b>	
	<b>Scheme Revenue</b>	
<b>Market Housing</b>	1452 sqm @ £6,000 per sqm	<b>£8,712,000</b>
Affordable Rent 1 bed	£78,000 per unit	£78,000
Affordable Rent 2 bed	£89,000 per unit	£180,000
Affordable Rent 3 bed	£89,000 per unit	£269,000
Intermediate (Shared Ownership)	179 sqm @ £3,000 per sqm	£538,000
<b>Combined Affordable</b>		<b>£1,063,000</b>
Parking	8 spaces @ £41,000 per space	£324,000
<b>Total Revenue</b>		<b>£10,099,000</b>
	<b>Scheme Costs</b>	
Private Housing Build Costs	1708 sqm @ £2697 per sqm	£4,607,000
Affordable Housing Build Costs	527 sqm @ £2697 per sqm	£1,421,000
Crossrail CIL		£85,000
S106		£79,000
Marketing & Sale Fees	4%	£395,000
<b>Total Direct Costs</b>		<b>£6,588,000</b>
Finance Costs		£754,000
Developer Profit	20% Private, 6% Affordable	£2,043,000
<b>Total Costs</b>		<b>£9,385,000</b>
<b>Residual Site Value</b>		<b>£1,944,000</b>
Employment Land Value +20%		£2,160,000
Difference		<b>-£216,000</b>
	<b>Analysis</b>	
	<b>With CIL</b>	<b>Current System</b>
Camden CIL	£427,000	£0
Crossrail CIL	£85,000	£63,000
S106	£79,000	£158,000
Total Contribution	£591,000	£221,000
Residual Site Value after Contributions	<b>£1,353,000</b>	<b>£1,723,000</b>
Camden CIL as % of Dev Cost	4.5%	
Camden CIL as % of Completed Value	4.2%	
% Change in Residual Value as a Result of Applying Camden CIL	30%	

<b>ZONE 4</b>		<b>Appraisal Results</b>			
<b>Scheme</b>		<b>6</b>			
<b>Scheme details</b>		<b>25 flats, 25% affordable</b>			
		<b>Private</b>	<b>NIA (sqm)</b>	<b>Affordable</b>	<b>NIA (sqm)</b>
<b>Residential Unit Mix</b>	<b>1 Bed Flat</b>	2 Units (11%)	100	1 Unit (16.7%)	50
	<b>2 Bed Flat</b>	8 Units (42%)	560	2 Units (33.3%)	140
	<b>3 Bed Flat</b>	9 Units (47%)	792	3 Units (50%)	258
	<b>Total</b>	<b>19 Units</b>	<b>1452</b>	<b>6 Units</b>	<b>448</b>
<b>Combined NIA</b>		<b>76 sqm per unit</b>		<b>1900 sqm total</b>	
<b>Scheme Revenue</b>					
<b>Market Housing</b>		1452 sqm @ £7500 per sqm		<b>£10,890,000</b>	
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	
<b>Combined Affordable</b>				<b>£1,195,000</b>	
Parking		8 spaces @ £40,000 per space		£320,000	
<b>Total Revenue</b>				<b>£12,405,000</b>	
<b>Scheme Costs</b>					
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	
<b>Total Direct Costs</b>				<b>£7,300,000</b>	
Finance Costs				£900,000	
Developer Profit		20% Private, 6% Affordable		£2,300,000	
<b>Total Costs</b>				<b>£10,500,000</b>	
<b>Residual Site Value</b>				<b>£1,905,000</b>	
Employment Land Value +20%				£1,800,000	
Difference				£105,000	
<b>Analysis</b>					
		<b>With CIL</b>		<b>Current System</b>	
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		<b>£1,478,000</b>		<b>£1,830,000</b>	
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		<b>22%</b>			

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%			





Report

**APPENDIX D:**  
CIL Viability  
Findings

## APPENDIX D: CIL VIABILITY FINDINGS

### Introduction

In this Appendix 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 results for the 2012 appraisals. Examples of the appraisals undertaken to arrive at the below figures are given in Appendix C.

It should be noted that not all Typologies have been tested in all the areas, see para 2.7. The absence of a test for a particular Typology in an area does not mean that it is therefore unviable, merely that it is considered unlikely to be a form of development that is promoted given the characteristics of the area.

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

**Scheme 1:** Central – Not viable, Zone 3 - £2,050

**Scheme 1A:** Central - £750, Zone 1 - £438, Zone 2 - £938, Zone 3 - £2,750, Zone 4 - £1,000

**Scheme 1B:** Central - £1,204, Zone 1 - £417, Zone 2 - £972, Zone 3 - £2,870, Zone 4 - £1,111

**Scheme 2:** Zone 1 - £610, Zone 2 - £1,040, Zone 3 - £3,020

**Scheme 3:** Zone 1 - £1,200, Zone 2 - £1,920, Zone 3 - £4,500

**Scheme 4:** Central - £780, Zone 1 - £330, Zone 2 - £770, Zone 3 - £2,750

**Scheme 5:** Central - £510, Zone 1 - £320, Zone 2 - £830, Zone 3 - £2,550

**Scheme 6:** Zone 1 – Not Viable, Zone 2 - £61, Zone 3 - £2,200, Zone 4 - £370

**Scheme 7:** Zone 1 – Not Viable, Zone 2 – Not Viable, Zone 4 – Not Viable

**Scheme 8:** Zone 1 – Not Viable, Zone 4 – Not Viable

**Scheme 9:** Zone 1 – Not Viable, Zone 4 – Not Viable

**Scheme 9A:** Zone 1 – Not Viable, Zone 4 – Not Viable

**Scheme 10:** Central - £590, Zone 1 – Not Viable

**Scheme 11:** Central - £720, Zone 1 - £830, Zone 4 - £860

**Scheme 12:** Central – Not Viable, Zone 4 – Not Viable

**Scheme 13:** Central - £3,340

**Scheme 14:** Central - £580, Zone 1 - £680, Zone 2 - £680, Zone 4 - £860

**Scheme 15:** Central - £720, Zone 1 - £180, Zone 2 - £90, Zone 4 - £180

**Scheme 16:** Central – Not Viable, Zone 1 – Not Viable, Zone 2 – Not Viable, Zone 4 – Not Viable

**Scheme 17:** Central – Not Viable

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

**Scheme 7:** Zone 1 – Not Viable, Zone 2 – Not Viable, Zone 4 – Not Viable

**Scheme 8:** Zone 1 – Not Viable, Zone 4 – Not Viable

**Scheme 9:** Zone 1 – Not Viable, Zone 4 – Not Viable

**Scheme 9A:** Zone 1 – Not Viable, Zone 4 – Not Viable

**Scheme 12:** Central - £480, Zone 4 – Not Viable

**Scheme 13:** Central - £4,270

**Scheme 15:** Central - £1,530, Zone 1 - £630, Zone 2 - £720, Zone 4 - £720

**Scheme 16:** Central - £220, Zone 1 – Not Viable, Zone 2 – Not Viable, Zone 4 – Not Viable

**Scheme 17:** Central – Not Viable

# APPENDIX E: CIL AS A PERCENTAGE OF GROSS DEVELOPMENT VALUE AND CIL AS A PERCENTAGE OF COST

## Introduction

This Appendix displays the results of the analysis of the CIL rates proposed in the Preliminary Draft Charging Schedule as a proportion of GDV and cost for each scheme.

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## CIL as a Percentage of GDV – 0% Offset for Existing Floorspace:

**Scheme 1:** Central – 5.20%, Zone 3 – 4.6%

**Scheme 1A:** Central – 5.8%, Zone 1 – 9.3%, Zone 2 – 8.2%, Zone 3 – 9.3%, Zone 4 – 7.5%

**Scheme 1B:** Central - 1.7%, Zone 1 – 2.7%, Zone 2 - 4.00%, Zone 3 – 5.1%, Zone 4 – 3.6%

**Scheme 2:** Zone 1 – 9.3%, Zone 2 – 8.2% , Zone 3 – 5.2%

**Scheme 3:** Zone 1 – 8.3%, Zone 2 – 7.4%, Zone 3 – 4.9%

**Scheme 4:** Central – 5.9% , Zone 1 – 9.6%, Zone 2 -8.4%, Zone 3 – 5.3%

**Scheme 5:** Central – 1.7% Zone 1 – 2.7%, Zone 2 – 3.9%, Zone 3 – 5.1%

**Scheme 6:** Zone 1 – 2.5%, Zone 2 – 3.8%, Zone 3 – 4.9, Zone 4 – 3.4%

**Scheme 7:** Zone 1 – 2.2%, Zone 2 – 3.3%, Zone 4 – 3.00%

**Scheme 8:** Zone 1 – 2.00%, Zone 4 – 3.00%

**Scheme 9:** Zone 1 – 3.30%, Zone 4 – 4.50%

**Scheme 9A:** Zone 1 – 2.10%, Zone 4 – 1.70%

**Scheme 10:** Central – 4.6%, Zone 1 – 7.10%, Zone 2 – 7.00%

**Scheme 11:** Central -4.5%, Zone 1 – 6.8%, Zone 4 – 6.3%

**Scheme 12:** Central –1.40%, Zone 4 – 3.00%

**Scheme 13:** Central – 0.9%

**Scheme 14:** Central – 4.6%, Zone 1 – 7.4%, Zone 2 -7.2%, Zone 4 – 6.7%

**Scheme 15:** Central – 1.1%, Zone 1 – 1.6%, Zone 2 -2.6%, Zone 4 – 2.5%

**Scheme 16:** Central – 1.2%, Zone 1 – 1.8%, Zone 2 – 2.8%, Zone 4 – 2.6%

**Scheme 17:** Central – 1.00%

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## CIL as a Percentage of GDV – 25% Offset for Existing Floorspace:

**Scheme 1:** Central – 3.9%, Zone 3 – 3.45%

**Scheme 1A:** Central – 4.35%, Zone 1 – 6.98%, Zone 2 – 6.15%, Zone 3 – 3.98%, Zone 4 – 5.63%

**Scheme 1B:** Central – 1.28%, Zone 1 – 2.03%, Zone 2 – 3.00%, Zone 3 – 3.83%, Zone 4 – 2.7%

**Scheme 2:** Zone 1 – 6.98%, Zone 2 – 6.15% , Zone 3 – 3.90%

**Scheme 3:** Zone 1 – 6.23%, Zone 2 – 5.55%, Zone 3 – 3.68%

**Scheme 4:** Central – 4.43%, Zone 1 – 7.20%, Zone 2 – 6.30%, Zone 3 – 3.98%

**Scheme 5:** Central – 1.28%, Zone 1 – 2.03%, Zone 2 – 2.93%, Zone 3 – 3.83%

**Scheme 6:** Zone 1 – 1.88%, Zone 2 – 2.85%, Zone 3 – 3.68%, Zone 4 – 2.55%

**Scheme 7:** Zone 1 – 1.65%, Zone 2 – 2.48%, Zone 4 – 2.25%

**Scheme 8:** Zone 1 – 1.5%, Zone 4 – 2.25%

**Scheme 9:** Zone 1 – 2.48%, Zone 4 – 3.38%

**Scheme 9A:** Zone 1 – 1.58%, Zone 4 – 1.28%

**Scheme 10:** Central – 3.45%, Zone 1 – 5.33%, Zone 2 – 5.25%

**Scheme 11:** Central – 3.38%, Zone 1 – 5.10%, Zone 4 – 4.73%

**Scheme 12:** Central – 1.05%, Zone 4 – 2.25%

**Scheme 13:** Central – 0.68%

**Scheme 14:** Central – 3.45%, Zone 1 – 5.55%, Zone 2 - 5.40%, Zone 4 – 5.03%

**Scheme 15:** Central – 0.83%, Zone 1 – 1.2%, Zone 2 -1.95%, Zone 4 – 1.88%

**Scheme 16:** Central – 0.90%, Zone 1 – 1.35%, Zone 2 – 2.10%, Zone 4 – 1.95%

**Scheme 17:** Central – 0.75%

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## CIL as a Percentage of GDV – 50% Offset for Existing Floorspace

**Scheme 1:** Central – 2.60%, Zone 3 – 2.3%

**Scheme 1A:** Central – 2.9%, Zone 1 – 4.65%, Zone 2 – 4.1%, Zone 3 – 2.65%, Zone 4 – 3.75%

**Scheme 1B:** Central – 0.85%, Zone 1 – 1.35%, Zone 2 – 2.00%, Zone 3 – 2.55%, Zone 4 – 1.80%

**Scheme 2:** Zone 1 – 4.65%, Zone 2 – 4.10% , Zone 3 – 2.60%

**Scheme 3:** Zone 1 – 4.15%, Zone 2 – 3.7%, Zone 3 – 2.45%

**Scheme 4:** Central – 2.95%, Zone 1 – 4.80%, Zone 2 – 4.20%, Zone 3 – 2.65%

**Scheme 5:** Central – 0.85%, Zone 1 – 1.35%, Zone 2 – 1.95%, Zone 3 – 2.55%

**Scheme 6:** Zone 1 – 1.25%, Zone 2 – 1.9%, Zone 3 – 2.45%, Zone 4 – 1.70%

**Scheme 7:** Zone 1 – 1.10%, Zone 2 – 1.65%, Zone 4 – 1.50%

**Scheme 8:** Zone 1 – 1.00%, Zone 4 – 1.50%

**Scheme 9:** Zone 1 – 1.65%, Zone 4 – 2.25%

**Scheme 9A:** Zone 1 – 1.05%, Zone 4 – 0.85%

**Scheme 10:** Central – 2.30%, Zone 1 – 3.55%, Zone 2 – 3.50%

**Scheme 11:** Central – 2.25%, Zone 1 – 3.40%, Zone 4 – 3.15%

**Scheme 12:** Central – 0.70%, Zone 4 – 1.50%

**Scheme 13:** Central – 0.45%

**Scheme 14:** Central – 2.30%, Zone 1 – 3.70%, Zone 2 – 3.60%, Zone 4 – 3.35%

**Scheme 15:** Central – 0.55%, Zone 1 – 0.80%, Zone 2 – 1.30%, Zone 4 – 1.25%

**Scheme 16:** Central – 0.60%, Zone 1 – 0.90%, Zone 2 – 1.40%, Zone 4 – 1.30%

**Scheme 17:** Central – 0.50%



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## CIL as a Percentage of Build Costs – 0% Offset for Existing Floorspace

**Scheme 1:** Central – 10.90%, Zone 3 – 10.4%

**Scheme 1A:** Central – 20%, Zone 1 – 21.7%, Zone 2 – 21.7%, Zone 3 – 18.9%, Zone 4 – 20%

**Scheme 1B:** Central – 5.4%, Zone 1 – 6%, Zone 2 – 10%, Zone 3 – 17.3%, Zone 4 – 9%

**Scheme 2:** Zone 1 – 23.2%, Zone 2 – 23.2% , Zone 3 – 20.1%

**Scheme 3:** Zone 1 – 26.5%, Zone 2 – 26.5%, Zone 3 – 23.2%

**Scheme 4:** Central – 21.2%, Zone 1 – 23.2%, Zone 2 – 23.2%, Zone 3 – 20.10%

**Scheme 5:** Central – 18.2%, Zone 1 – 19.6%, Zone 2 – 19.6%, Zone 3 – 17.10%

**Scheme 6:** Zone 1 – 4.30%, Zone 2 – 4.30%, Zone 3 – 3.70%, Zone 4 – 3.90%

**Scheme 7:** Zone 1 – 2.60%, Zone 2 – 2.60%, Zone 4 – 2.30%

**Scheme 8:** Zone 1 – 2.60%, Zone 4 – 2.40%

**Scheme 9:** Zone 1 – 2.60%, Zone 4 – 2.40%

**Scheme 9A:** Zone 1 – 4.20%, Zone 4 – 3.50%

**Scheme 10:** Central – 16.6%, Zone 1 – 17.80%, Zone 2 – 17.90%

**Scheme 11:** Central – 15.50%, Zone 1 – 17.20%, Zone 4 – 15.80%

**Scheme 12:** Central – 2.90%, Zone 4 – 3.50%

**Scheme 13:** Central – 2.50%

**Scheme 14:** Central – 16.30%, Zone 1 – 18.20%, Zone 2 – 18.20%, Zone 4 – 17%

**Scheme 15:** Central – 2.7%, Zone 1 – 3.1%, Zone 2 - 3.1%, Zone 4 – 2.7%

**Scheme 16:** Central – 2.40%, Zone 1 – 2.90%, Zone 2 – 2.90%, Zone 4 – 2.50%

**Scheme 17:** Central – 2.50%

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## CIL as a Percentage of Build Costs – 25% Offset for Existing Floorspace:

**Scheme 1:** Central – 8.18%, Zone 3 – 7.8%

**Scheme 1A:** Central – 15%, Zone 1 – 16.28%, Zone 2 – 16.28%, Zone 3 – 14.18%, Zone 4 – 15.0%

**Scheme 1B:** Central – 4.05%, Zone 1 – 4.5%, Zone 2 – 7.5%, Zone 3 – 12.98%, Zone 4 – 6.75%

**Scheme 2:** Zone 1 – 17.4%, Zone 2 – 17.4% , Zone 3 – 15.8%

**Scheme 3:** Zone 1 – 19.88%, Zone 2 – 19.88%, Zone 3 – 17.4%

**Scheme 4:** Central – 15.9%, Zone 1 – 17.4%, Zone 2 – 17.4%, Zone 3 – 15.08%

**Scheme 5:** Central – 13.52%, Zone 1 – 14.7%, Zone 2 – 14.7%, Zone 3 – 12.82%

**Scheme 6:** Zone 1 – 3.23%, Zone 2 –3.23%, Zone 3 – 2.78%, Zone 4 – 2.93%

**Scheme 7:** Zone 1 –1.95%, Zone 2 – 1.95%, Zone 4 – 1.73%

**Scheme 8:** Zone 1 – 1.95%, Zone 4 – 1.80%

**Scheme 9:** Zone 1 – 1.95%, Zone 4 – 1.80%

**Scheme 9A:** Zone 1 – 3.15%, Zone 4 – 2.63%

**Scheme 10:** Central – 12.45%, Zone 1 – 13.35%, Zone 2 – 13.43%

**Scheme 11:** Central – 11.63%, Zone 1 – 12.90%, Zone 4 – 11.85%

**Scheme 12:** Central – 2.18%, Zone 4 – 2.03%

**Scheme 13:** Central – 1.88%

**Scheme 14:** Central – 12.23%, Zone 1 – 13.65%, Zone 2 – 13.65%, Zone 4 – 12.75%

**Scheme 15:** Central – 2.03%, Zone 1 – 2.33%, Zone 2 – 2.33%, Zone 4 – 2.03%

**Scheme 16:** Central – 1.80%, Zone 1 – 2.18%, Zone 2 – 2.18%, Zone 4 – 1.88%

**Scheme 17:** Central – 1.88%

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## **CIL as a Percentage of Build Costs – 50% Offset for Existing Floorspace:**

**Scheme 1:** Central –5.45%, Zone 3 – 5.20%

**Scheme 1A:** Central – 10%, Zone 1 – 10.85%, Zone 2 – 10.85%, Zone 3 – 9.45%, Zone 4 – 10%

**Scheme 1B:** Central – 2.7%, Zone 1 – 3.00%, Zone 2 – 5.00%, Zone 3 – 8.65%, Zone 4 – 4.50%

**Scheme 2:** Zone 1 – 11.6%, Zone 2 – 11.6% , Zone 3 – 10.05%

**Scheme 3:** Zone 1 – 13.25%, Zone 2 – 13.25%, Zone 3 – 11.60%

**Scheme 4:** Central – 10.6%, Zone 1 – 11.6%, Zone 2 – 11.6%, Zone 3 – 10.05%

**Scheme 5:** Central – 9.01%, Zone 1 – 9.80%, Zone 2 – 9.80%, Zone 3 – 8.55%

**Scheme 6:** Zone 1 – 2.15%, Zone 2 – 2.15%, Zone 3 – 1.85%, Zone 4 – 1.95%

**Scheme 7:** Zone 1 – 1.30%, Zone 2 – 1.30%, Zone 4 – 1.15%

**Scheme 8:** Zone 1 – 1.30%, Zone 4 – 1.20%

**Scheme 9:** Zone 1 – 1.30%, Zone 4 – 1.30%

**Scheme 9A:** Zone 1 – 2.10%, Zone 4 – 1.35%

**Scheme 10:** Central – 8.30%, Zone 1 – 8.90%, Zone 2 – 8.95%

**Scheme 11:** Central – 7.75%, Zone 1 – 8.60 Zone 4 – 7.90%

**Scheme 12:** Central – 1.45%, Zone 4 – 1.35%

**Scheme 13:** Central – 1.25%

**Scheme 14:** Central – 8.15%, Zone 1 – 9.10%, Zone 2 – 9.10%, Zone 4 – 8.50%

**Scheme 15:** Central – 1.35%, Zone 1 – 1.55%, Zone 2 – 1.55%, Zone 4 – 1.35%

**Scheme 16:** Central –1.20%, Zone 1 – 1.45%, Zone 2 – 1.45%, Zone 4 – 1.25%

**Scheme 17:** Central – 1.25%