

# TECHNICAL NOTE

**Date:** 26/05/2016  
**Prepared By:** Tom Marshall & Russell Porter  
**Subject:** Tamworth PDCS responses

## 1.1 Introduction

- 1.1.1 Having prepared the evidence base documentation used to inform the Tamworth Borough Council's (TBC) Community Infrastructure Levy (CIL) Draft Charging Schedule, which has recently been reviewed at public consultation, Peter Brett Associates (PBA) have been asked to respond to two representations that have been submitted.
- 1.1.2 In this note, PBA refer to two documents that have been prepared on behalf of the Council. The first is titled 'Whole Plan Viability, Affordable Housing and CIL study 2014', which is the original report provided to the Council and for simplicity is referred to as the "2014 report". The second report called "Whole Plan Viability, Affordable Housing and Community Infrastructure Levy Study Further Advice", is referred to as the "2015 addendum report", which provides further details requested from comments received through the CIL PDCS consultation, and the impact of changes in the legislative framework that had occurred since the 2014 report. It is intended that this note is read in conjunction with these two documents.
- 1.1.3 The conclusion of the 2014 report and the 2015 addendum report informed the Council's potential CIL charging rates. The rates that were recommended in the 2014 report were subsequently revised in the 2015 addendum report. For clarity, these are replicated in **Table 1.1** below.

Table 1.1 Recommended CIL rates from PBA's viability evidence base

Use	Criteria	Suggested CIL rate (per sqm)
Residential	Applicable to one or two unit residential schemes.	£0
Residential	Applicable to all schemes with between 3 and 10 units except those which are exempt from CIL charge in the PDCS (Oct 2014)	£54 to £82
Residential	Applicable to all schemes with 11+ unit except those which are exempt from CIL charge in the PDCS (Oct 2014)	£35
Specialist residential (Retirement dwellings and Extra care)		£15
Care homes		£0
Out of Centre retail	Out of centre is defined as comparison and convenience retail development located outside of Tamworth Town Centre, local centres and neighbourhood centres as defined in the policies map and town centre inset map of the Tamworth Local Plan 2006- 2031	£200
All other development	None	£0

Source: PBA research

- 1.1.4 TBC has asked Peter Brett Associates to respond to two representations. One, included in **Appendix A**, is from the Planning Bureau Ltd and is in regards to the treatment of retirement

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and extra care properties in PBA's 2015 Addendum report. The other, included in **Appendix B**, is a representation received from Indigo Planning, which relates to the rate proposed for retail developments. We consider each response in turn.

### 1.2 Retirement homes and Extra Care units: The Planning Bureau Ltd

- 1.2.1 The representation submitted by the Planning Bureau Ltd sets out concerns with the way PBA had assessed retirement and extra-care properties. They have requested that PBA:
- a. Re-evaluate the additional floorspace required due to the implications of communal space associated with retirement and extra care schemes.
  - b. Re-examine the sales value per square metre used in testing their viability. The Planning Bureau indicate that the value of £2,590 is high and that a figure of £2,446 would be appropriate.
- 1.2.2 In the 2015 addendum report, PBA based their viability testing on the advice given by the Retirement Housing Group (RHG) Guidance<sup>1</sup> for testing viability for older people housing. This guide specified the typical sizes of retirement homes and extra care units and the proportion (as a percentage) that should be treated as communal space. What it does not make clear is whether the proportion of communal space is applied to the identified sizes or is applied on top of the sizes given. PBA followed the former approach in the 2015 addendum report. However, subsequent discussions with McCarthy & Stone and further evidence of floorplans from some of their recent schemes implies that the proportion of communal floorspace would be more appropriately applied on top of the size given in the RHG document.
- 1.2.3 PBA have therefore amended the appraisal of retirement and extra care units by adopting a middle value for each, using an allowance of 25% of gross internal floorspace (GIA) for retirement units and 35% for extra care units, and have applied this on top of the assumed unit sizes. The impact of this reduces any scope to charge a CIL, regardless of revising sales values in point b. This is because more cost in terms of building the additional communal space is factored in the assessment. What is not clear is whether any additional revenue should also be included since such schemes like those built by McCarthy & Stone will also gain value in the services they charge for providing the communal facilities.
- 1.2.4 For the sake of simplicity, and given that the previously PBA recommended a modest CIL (£15 per square metre) for these types of developments, it is recommended that removing the requirement for CIL from housing for older people may provide greater assurance that this type of development is not adversely affected by CIL. Instead, funding for infrastructure is better gained through s106 negotiations.

### 1.3 Retail Development: Indigo Planning

- 1.3.1 In their representation, Indigo Planning suggested that there is insufficient evidence regarding the tested rental values and yields used relating to Retail Warehouses (out of town). The rents and yields used in assessing viability for the 2014 report recommendations are copied in **Table 1.2**. PBA have been asked to provide further clarification over the research used to inform these rates.

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<sup>1</sup> Community Infrastructure Levy and Sheltered Housing/Extra Care Developments - A Briefing Note on Viability Prepared For Retirement Housing Group by Three Dragons, May 2013

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Table 1.2 Retail rental rates and yields used in viability testing

	Rent per sqm	Rent per sqft	Yield
Supermarket	£210	£20	6.0%
Retail Warehouse (Out of town)	£160	£15	7.5%
Town Centre retail	£125	£12	11.0%

Source: PBA research

- 1.3.2 The previous work had sourced and reviewed available transactional data just for Tamworth at the time of undertaking the 2014 report. In this technical note we have obtained further rent and yields achieved in comparable locations from a slightly wider area covering Walsall, Lichfield and Sutton Coldfield, shown in **Table 1.3**. The sources used are industry standard, including COSTAR, EGI and commercial websites such as RightMove, to provide a capitalised value for out of town retail properties.
- 1.3.3 Excluding a number of transactions on industrial units within Walsall, **Table 1.3** shows that rental values for nearby retail parks range from between £117 per sqm to as high as £495 per sqm. Many of the reported values are substantially higher than the values assumed in the 2014 report for Tamworth.
- 1.3.4 In terms of assessed yields for retail parks, the all-in yield of 7.5% assumed for retail warehousing in the 2014 recommendations appears modest when compared to the yields which are shown in the sample data in **Table 1.3**. Only three out of ten transactions reporting yields were seen to be higher than 7.5%.

Table 1.3 Rental rates and yields for retail parks in nearby locations

Address	Year	Size (sqm)	Yield (%)	Rent per annum (per sqm)
Castle Vale Retail Park, Chester Road, Castle Vale,	2007	15,793	4.00	n.a.
Ravenside Retail Park, Kingsbury Road, Erdington,	2012	13,935	8.60	n.a.
Bescot Retail Park, Bescot Crescent, Walsall,	2008	12,516	7.75	£152
Reedswood Retail Park, Reedswood Way, Walsall,	2015	10,810	6.00	£140
B&Q Warehouse, Dunlop Way, Chester Road, Castle Vale, Birmingham,	2008	9,290	6.00	n.a.
Jerome Retail Park, Midland Road, Walsall,	2012	9,029	12.61	£52
Unit 1-4, Maple Leaf Industrial Estate, Bloxwich Lane, Walsall,	2015	7,804		£37
Phase I, Gallagher Retail Park J9 M6, Axeltree Way, Wednesbury,	2014	6,317	6.10	n.a.
Lichfield Retail Park, Vulcan Road, Lichfield,	2012	5,831	6.60	n.a.
101 Aldridge Road, Perry Barr,	2010	4,924	6.48	£149
Lichfield Retail Park, Vulcan Road, Lichfield,	2015	4,162	5.85	£187
75 Chester Road, Sutton Coldfield,	2004	3,902	5.30	£197
Focus Do It All, Weddington Road, Nuneaton,	2011	3,140	6.00	n.a.
Unit 1E, Ravenside Retail Park, Kingsbury Road, Erdington,	2012	2,567		£117
Unit 2, Maple Leaf Industrial Estate, Bloxwich Lane, Walsall,	2012	2,141		£37
Princess Alice Retail Park, Princess Alice Drive, New Oscott, Sutton Coldfield,	2014	1,858		£188
Unit 3, Maple Leaf Industrial Estate, Bloxwich Lane, Walsall,	2014	1,610		£37

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Unit 4, Maple Leaf Industrial Estate, Bloxwich Lane, Walsall,	2014	1,583		£38
B2, Reedswood Retail Park, Reedswood Way, Walsall,	2014	929		£161
Unit 3, Gallagher Retail Park J9 M6, Axeltree Way, Wednesbury,	2009	678		£495
Unit 2, Princess Alice Retail Park, Princess Alice Drive, New Oscott, Sutton Coldfield,	2013	657		£343
Unit E2, Princess Alice Retail Park, Princess Alice Drive, New Oscott, Sutton Coldfield,	2006	562		£377
Unit E1, Princess Alice Retail Park, Princess Alice Drive, New Oscott, Sutton Coldfield,	2007	465		£456
Unit G, Princess Alice Retail Park, Princess Alice Drive, New Oscott, Sutton Coldfield,	2009	462		£334
Ground, Princess Alice Retail Park, Princess Alice Drive, New Oscott, Sutton Coldfield,	2013	372		£269
Proposed Retail Park, Princess Alice Drive, Sutton Coldfield,	2012	372		£269
Unit 3, Seymour House, Green Lane, Walsall,	2014	274		£215
Unit B1, The Crescent, Lancaster Road, Hinckley, Leicestershire,	2015	232		£301
Ground, Princess Alice Retail Park, Princess Alice Drive, New Oscott, Sutton Coldfield,	2013	116		£269

Source: PBA research

- 1.3.5 Based on the further evidence shown in **Table 1.2** of this technical note, and the capitalised values based on the rents and yields shown in Appendix G of the 2014 report that were used in testing the viability of retail warehousing in out of centre locations to inform the 2014 recommendations, remain appropriate. Therefore, PBA currently do not consider that there is a viability reason to justify changing the CIL rate for retail warehousing (out of centre).



## Appendix A: Representation from Planning Bureau



## Appendix B: Representation from Indigo Planning

