Document number P/CIL/1

Portsmouth CITY COUNCIL

Community Infrastructure Levy

Examiner’s Questions for the Council

September 2011

Examination of the Portsmouth Community Infrastructure Levy Charging Schedule

This statement has been produced as part of the examination of the Portsmouth Community Infrastructure Levy Examination. It answers the Inspector's questions relating to the draft charging schedule.

Any queries about the report should be sent to the programme officer:

Address:	Mr C Banks 21 Glendale Close Horsham West Sussex RH12 4GR
Telephone:	01403 253148 or 07817322750
Email:	chris.banks@zen.co.uk
Website:	http://www.portsmouth.gov.uk/living/20443.html

You can get this information in large print, Braille, audio or in another language by calling 023 9268 8633.

Question 1:

Is sufficient consideration given to the risk that lower value residential schemes may not be viable if required to pay the levy? How could this issue be addressed without the Council placing undue reliance on making exceptions to the Schedule? Is the fact that the Council refer to the making of exceptions an indication that in some instances the proposed rate may be too high?

1.1 Yes, the council has given due consideration to the risk that lower value residential schemes may not be viable if required to pay the levy. It has considered the evidence set out in the viability report[1] and decided to set the rate it has proposed, in the knowledge that some low value schemes may be unviable. However, the council does not believe that any changes should be made to the charging schedule to address this. This is for the following reasons:

a) The CIL regime does not require the levy rate to be set in such a way that allows <u>all</u> developments to be viable. Rather, it has to show that the proposed rate would not put at serious risk the overall development of the area[2]. This allows for some developments to be unviable or become more unviable with CIL.

b) If the viability work had shown that a lower rate of CIL significantly improved the viability of low value schemes, the council would have considered setting a lower rate. But the viability report does not suggest this.

The potentially poor or marginal viability of lower value schemes (in any area, not just Portsmouth) is a factor that comes into play regardless of CIL or other equivalent costs or obligations. Where schemes suffer from a lack of viability as a starting point this is an inherent feature of those schemes based on a poor relationship between values and costs. This could be for, or exacerbated by, a range of reasons including specific market conditions and scheme type influencing values, incidence of abnormal costs, etc. It follows that CIL alone will not be a factor that shifts viability outcomes from sufficiently positive to negative.

Consequently, the viability evidence shows that introducing CIL at even a very significantly reduced or nil charging rate does not move the unviable or only marginally viable schemes to a viable position. A lower CIL would not ensure their deliverability (para 3.3.3 viability report). In practice, scheme viability is influenced by a wide variety of factors that interact with each other.

c) The viability assessment and the rate setting work have been undertaken at the appropriate strategic overview level. In this work, regard has been had to the fact that market values do fluctuate and will continue to do so – a view not just focussed on the current / recent circumstances has been taken. The viability

[1] http://www.portsmouth.gov.uk/media/Portsmouth_CIL_viability_study_with_appendices.pdf
[2] Paragraph 9, CIL Guidance: Charge setting and charging schedule procedures (CLG, 2010) http://www.communities.gov.uk/publications/planningandbuilding/cilguidance

evidence shows how scheme viability improves with increasing values as may be seen through improving market conditions.

1.2 The council acknowledges that its consultation documents on the charging schedule, as well as the viability report, both do suggest that exceptional circumstances relief may need to be employed. These indications were formed at an earlier stage, since which more has become understood about the operation of CIL. The council did initially believe that this relief would be helpful in cases of non-viability, but in the course of engaging with CIL, the council has recognised that this is not the case. The council is now fully aware of the fact that exceptional circumstances relief should be employed only in very exceptional circumstances and is subject to a number of pre-conditions. It is clearly not a tool to allow the justification of too high a CIL rate. While the council does intend to make exceptional circumstances relief available in its area, it is not relying on its application. The council notes that a similar scenario was tested at the examination of the Shropshire CIL, which has recently been recommended for approval by an independent examiner.[3]

1.3 For the reasons set out above, the council does not consider that the proposed residential rate is too high – it represents an appropriate balance between the desirability of funding infrastructure and viability considerations, and the council is confident that the CIL rate proposed will not put at serious risk the development of the city overall.

[3] Paragraph 12 of examiner's report on the Shropshire CIL Charging Schedule: http://www.shropshire.gov.uk/planning.nsf/viewAttachments/JSAR-8LWHC3/$file/Shropshire%20CIL%20Examiner's%20Report.pdf

Question 2:

What is the justification, in terms of viability, for the differential between the £105 and £53 rates for various types of retail development?

2.1 Section 3.5 of the viability report discusses the assessment findings for retail scenarios, with a summary recommendation at paragraph 3.10.1, point B. The summaries of the actual appraisals are found in Appendix II of the report. The report supports differentiated rates for retail.

2.2 Financial viability is about the relationship between costs and values, i.e. the ability of the values to support the costs expended in development (including all profits, fees and land value) and then produce a surplus from which CIL contributions (or other obligations / costs) could be funded. The evidence shows that there is a much stronger values / costs relationship for larger out of town stores where the similar costs levels are outweighed by greater values and the report concludes that in terms of large, usually out of centre, retail schemes, a CIL level of £105 is generally achievable (paragraph 3.5.4 and 3.5.5.)

2.3 However, appraisals were also run for smaller schemes (300sqm)[4]. The report concludes that the results for these, as compared with the larger schemes of around 1000sqm, indicate that the council should consider a lower level of CIL for the small retail. The report does not propose an exact rate that would be appropriate for the smaller schemes, but suggests that about half of the full amount could be considered (paragraph 3.5.6 viability report). The council has proposed a rate of £53/sqm for retail proposals up to 280sqm. The threshold of 280sqm was chosen to fit in with thresholds for small scale shops in the Core Strategy [5], which is based on Sunday trading laws.

2.4 No specific assessments were run to assess larger in-centre retail developments, but the city council considers the lower rate in centre to be supported by the following evidence:

a) In centre retail often is smaller in scale than the 1000sqm size assumed for the viability work on out-of-centre scenarios – the Portsmouth Shopping Study update[6] includes data on retail commitments which show that in centre proposals are usually much smaller than these.

b) In-centre development costs are often higher. Paragraph 3.5.2 of the viability assessment warns that viability deteriorates quickly where land has to be purchased at higher rates.

[4] Appendix II viability report
[5] Policy PCS17, Portsmouth Plan http://www.portsmouth.gov.uk/media/PLN_PortsmouthPlansubmission.pdf
[6] Document CD52 of the Core Strategy examination, available at Appendix 3D. http://www.portsmouth.gov.uk/living/16972.html

c) In terms of the city centre more specifically, the city council has been working with a developer for a number of years to bring forward a redevelopment scheme, which has been delayed a number of times due to at best marginal viability. While this does not provide sufficient evidence to set a £0 for CIL in this area (see also the discussion in question 4 on differentiating by geography), the city council considers that the full rate is unlikely to be achievable in this or other potential town centre schemes.

2.5 It is for these reasons that the rate of £53/sqm rate has been proposed for in-centre retail developments.

Question 3:

In terms of the overall costs of a scheme, broadly what would be the impact of CIL in percentage terms for the various land uses?

3.1 Tables setting out the proposed CIL rates as a proportion of Gross Development Value (GDV) are attached at Appendix 1. These can be summarised as follows:

3.2 <u>Residential development schemes</u>
The £105/sq m equates to a range of 2.6% to 5.8 % of Gross Development Value depending on property type and value level; an overall average of 3.9% GDV.

3.3 <u>Commercial development schemes</u>
CIL as a percentage of GDV varies by use/scheme type and by value level:

- A1 large out of centre retail – 3.7% to 5.3% of GDV
- Small retail – 2.3% to 3.5% of GDV
- B1(a) Offices – 0% of GDV, whether in or out of town
- B1, B2, B8 Industrial/warehousing – 0% of GDV
- Hotel – 1.7% to 2.4% of GDV
- C2 residential institution – 1.9% to 2.7% of GDV.

Question 4:

Was consideration given to identifying different rates in different geographical areas of the city and if so why was this option rejected? Have house price differentials been considered in sufficient detail?

4.1 Yes, consideration was given to identifying different rates in different geographical areas of the city. The reasons for rejecting a variation in CIL rates by location are discussed in paragraphs 3.1.13 to 3.1.18 of the viability report. The main reasons are set out below.

4.2 It is not possible to clearly define, on an ordnance survey base, a variation in residential development values. In a small compact city such as Portsmouth, variations are much less clearly defined than they might be in larger districts with distinct settlements, or with a combination of urban and rural areas. While broad patterns can be seen in the city (for example higher values in parts of Southsea, on the Seafront, in Old Portsmouth and at Gunwharf Quays), in practice values are often seen to vary between different sides or ends of the same street and even between different parts of larger sites.

4.3 It would not be appropriate to set lower rates in traditionally lower value areas given that those locations may also host higher value schemes. These could include developments which buck very local trends by benefiting from recent regeneration, for example the fringes of the Gunwharf Quays area in Portsea, which would in the past have been regarded as a low value area. There have been many examples of schemes carried out within or adjacent to lower or mixed value areas, which have seen this effect, for example the Admiralty Quarter in Portsea and the former University campus at Milton. The same applies on a smaller scale with a scattering of developments which often create new value levels in particular locations; and that is what drives developers and landowners to pursue these.

4.4 In order to define different value areas or house price differentials, a very complex 'hot spots' or 'pockets' view would have had to been taken. This would essentially have amounted to a site specific view, given the way in which values are seen to vary over very short distances. The city council considers that this would have resulted in far too complex a charging schedule.

4.5 In terms of commercial development, the council has no evidence which warrants a more area specific approach bearing in mind the nature of the city and the undoubted complexities and anomalies that would bring. The council's area is compact, within which key types of new commercial space (apart from smaller retail) are likely to be located mainly within particular areas having relatively consistent values. Considering the broad nature of commercial markets, the city area forms one part of the wider South Hampshire market. In practice, commercial values tend to be scheme specific.

4.6 For these reasons, development type rather than locality should be the key driver for any variations in the rate.

Question 5:

Is there sufficient evidence to demonstrate that office and industrial development would not be viable if a levy was charged?

5.1 Yes. The council considers that the viability assessment provides clear evidence that there is no scope to charge CIL on office or industrial development (section 3.6 viability report)

5.2 The discussion of the viability work on office, industrial and warehousing scenarios begins with the summary that 'the results convincingly show that there is no foreseeable scope for any meaningful level of CIL charge to be made applicable to such schemes in Portsmouth. This can be seen very quickly from the largely red coloured summary tables at Appendix II' (paragraphs 3.6.1 & 3.6.2 of viability report). The red colour indicates non viable areas of the viability results, as explained in the study text. The tables for office and industrial uses are pasted below :

B1 Office Town Centre

EUV / AUV =		Value Level £/m²		
£1,4000,000		£100	£130	£160
Yield	6.0%	-£537	-£140	£224
	6.5%	-£639	-£273	£79
	7.0%	-£727	-£388	-£48
	7.5%	-£803	-£487	-£170
	8.0%	-£870	-£573	-£277

EUV / AUV =		Value Level £/m²		
£1,680,000		£100	£130	£160
Yield	6.0%	-£544	-£147	£217
	6.5%	-£646	-£280	£72
	7.0%	-£734	-£395	-£55
	7.5%	-£810	-£494	-£177
	8.0%	-£877	-£580	-£284

EUV / AUV =		Value Level £/m²		
£1,820,000		£100	£130	£160
Yield	6.0%	-£547	-£150	£214
	6.5%	-£650	-£284	£68
	7.0%	-£738	-£398	-£58
	7.5%	-£814	-£497	-£180
	8.0%	-£880	-£584	-£287

EUV / AUV =		Value Level £/m²		
£3,000,000		£100	£130	£160
Yield	6.0%	-£577	-£180	£184
	6.5%	-£679	-£313	£39
	7.0%	-£767	-£428	-£88
	7.5%	-£843	-£527	-£210
	8.0%	-£9,101	-£613	-£317

B1 Office Out of Town

EUV / AUV =		Value Level £/m²		
£1,4000,000		£100	£130	£160
Yield	6.0%	All Significantly Negative		
	6.5%			
	7.0%			
	7.5%			
	8.0%			

EUV / AUV =		Value Level £/m²		
£1,680,000		£100	£130	£160
Yield	6.0%	All Significantly Negative		
	6.5%			
	7.0%			
	7.5%			
	8.0%			

EUV / AUV =		Value Level £/m²		
£1,820,000		£100	£130	£160
Yield	6.0%	All Significantly Negative		
	6.5%			
	7.0%			
	7.5%			
	8.0%			

EUV / AUV =		Value Level £/m²		
£3,000,000		£100	£130	£160
Yield	6.0%	All Significantly Negative		
	6.5%			
	7.0%			
	7.5%			
	8.0%			

B1, B2 , B8 Industrial Warehouse

EUV / AUV =		Value Level £/m²		
£1,4000,000		£65	£75	£85
Yield	6.0%	All Significantly Negative		
	6.5%			
	7.0%			
	7.5%			
	8.0%			

EUV / AUV =		Value Level £/m²		
£1,680,000		£65	£75	£85
Yield	6.0%	All Significantly Negative		
	6.5%			
	7.0%			
	7.5%			
	8.0%			

EUV / AUV =		Value Level £/m²		
£1,820,000		£65	£75	£85
Yield	6.0%	All Significantly Negative		
	6.5%			
	7.0%			
	7.5%			
	8.0%			

EUV / AUV =		Value Level £/m²		
£3,000,000		£65	£75	£85
Yield	6.0%	All Significantly Negative		
	6.5%			
	7.0%			
	7.5%			
	8.0%			

5.3 The viability assessments showed that only with the most optimistic assumptions (i.e. higher values and lower existing land use value comparisons, applied collectively) could marginally viable outcomes be seen. To create any meaningful CIL scope, collective assumptions needed to be moved to points that are considered too optimistic even considering the longer term view (paragraphs 3.6.3 – 3.6.5 of the viability report). The conclusions from the viability report therefore clearly recommend a £zero rate for these uses (paragraphs 3.6.6 and 3.10.1C of the viability report).

Question 6:

Has the impact of S106 contributions, including for affordable housing, been properly taken into account?

6.1 Yes, the council's viability study and approach to CIL has considered the impact of S106 contributions including for affordable housing. Paragraph 2.3.4 of the viability study sets out the assumptions in relation to affordable housing, while paragraph 2.10.1 explain assumptions made for S106 in residential developments. Paragraph 3.3.2 further confirms that both have been considered.

6.2 The same consultants that undertook the viability work for the Portsmouth CIL had also previously considered the viability of the city's proposed affordable housing policy. They were therefore in a unique position to build on that work for the CIL viability assessment.

6.3 Affordable housing requirements were factored into the residential appraisals. Over and above these costs, a notional sum of £500 per dwelling was allowed within all residential appraisals as a contingency in respect of any additional S106. Whilst the council anticipates that the collection of such additional sums will in many cases not be necessary, and the great majority of planning infrastructure obligations will be swept up within CIL, this figure has been included in recognition of the event that there could be some site specific requirements in respect of some schemes. It is acknowledged that in some cases a greater amount than assumed may be needed for S106, but this is extremely site specific and it is not possible to make general assumptions about this.

6.4 Similarly, no general assumptions can be made about commercial schemes, where S106 contributions historically have been less common, and will continue to be less common in the future. Again, while S106 contributions may be necessary in some cases, there are no general rules about the amount they may cover. It was therefore considered inappropriate to make an allowance for any level that may only apply in a small number of cases.

Question 7:

What information is available regarding other funding streams for infrastructure provision? Could the Council clarify why 'Education' is not included in Table 1: CIL Infrastructure Needs?

7.1 Table 1 lists other possible sources of funding for each infrastructure item. These are taken from the council's infrastructure planning work for the Core Strategy (The Infrastructure Delivery Plan[7]), plus further considerations at the time of the development of the charging schedule. As stated in the final sentence of the IDP, and in paragraph 2.26 of the CIL consultation document, the city council will continue to identify alternative sources of funding alongside the collection of the levy. The work done during the last year on the Tipner junction and park & ride is an example of how the city council continues to consider other sources of funding for projects to which CIL is likely to contribute (see question 8).

7.2 Education was initially excluded from table 1, as the city council believed at the time that S106 contributions would be a more suitable way of dealing with any education contributions. However, having considered further the rules on pooling of contributions, the council then decided that this was not feasible.

7.3 The council confirms that it does now intend to use CIL for education infrastructure if necessary and intends to confirm this in its 'Regulation 123 list', which will be published when the council approves its charging schedule.

7.4 The CIL regime allows authorities to spend revenue from the levy on different projects from those identified (in table 1) during the rate setting process[8], and as such, the council does not consider it a problem that education was not specifically mentioned in the background work to the charging schedule.

[7] http://www.portsmouth.gov.uk/media/IDP.pdf
[8] paragraphs 15 of the CIL Guidance: Charge setting and charging schedule procedures (CLG, 2010) http://www.communities.gov.uk/publications/planningandbuilding/cilguidance

Question 8:

In terms of Table 1 could the Council provide further details regarding the justification for the 25% contribution towards the cost of the Tipner- Horsea bridge link and the 40% contribution to the Tipner junction and park and ride?

8.1 The cost estimates and the assumed level of CIL contribution for each project set out in table 1 are based on the estimated funding gap at the time the table was produced. Costs were taken chiefly from the council's Infrastructure Delivery Plan, along with any further updates available.

8.2 The cost of the Tipner junction and park & ride was based on the major scheme business case for Department for Transport (DfT) funding. The CIL contribution included in table 1 was 40% of the third party contributions needed to finance the scheme, assuming the DfT bid was successful. This proportion was the best estimate at the time, taking into account potential other sources of funding.

8.3 The city council has continued to identify and agree sources of funding, including

- A small contribution from Local Transport Plan funding;
- Capital receipts from the sale of city centre car parks which will become surplus to requirements upon completion of the park and ride scheme;
- Other receipts from sales of capital assets deemed surplus to requirements from April 2011;
- Non ring-fenced capital grants received from 2012/13 onwards;
- Revenue contributions, both generally and arising from funding received through the New Homes Bonus from 2012/13 onwards

8.4 The progressing work on Tax Increment Financing (TIF) is showing that funds may be available that would mean that the CIL contribution towards the Tipner junction and park & ride will in fact be less than that assumed in the table.

8.5 Planning for the Horsea-Tipner bridge link is less well advanced and sources of funding are yet to be explored in detail. It is likely that the bridge will be funded through a combination of schemes such as LTP3 spending, TIF, LABV and CIL receipts. The 25% CIL contribution was an officer estimate of the possible contribution needed. In reality, the amount of CIL needed may be different, depending on what alternative sources of funding can be secured. It is also possible that the city council may divert some of the assumed CIL funds for the Tipner junction for the reasons described above.

8.6 It should be noted, that it was not the intention of table 1 to finalise the level of CIL contribution to any of the infrastructure projects listed. Rather, the purpose of table 1 is to show that there is a funding gap for infrastructure and that this is the reason the council intends to take CIL contributions. It also provided the basis for the initial notional CIL rate tested for viability. Cost estimates and the required level of CIL contribution will change as schemes are refined through their planning and design stages, and as the city council continues to seek other sources of funding. The final level of CIL contribution to each scheme listed, as well as schemes not yet identified and therefore not listed, may therefore be more or less than the contributions assumed in table 1. This was explained on page 4 of the consultation document in 'notes on the status of table 1', which clarify the role of that table. The council considered the CLG charge setting guidance[9] in producing those notes.

[9] paragraphs 12-16 of the CIL Guidance: Charge setting and charging schedule procedures (CLG, 2010) http://www.communities.gov.uk/publications/planningandbuilding/cilguidance

Question 9:

Has sufficient regard been given to the average 2.5% fall in property values in the city between April 2010 and January 2011? What is the current situation?

9.1 The 2.5% fall in property values referred to is a relatively minor scale of movement that might be expected over such a time span given that the market is dynamic – rarely does it stay at a constant level for any length of time. Price movements of that scale are relatively insignificant, especially in the wider context where movements in build costs, varying sustainability requirements, funding availability / costs, changing tax implications, varying profit and contingency responses, etc, might all have a bearing – collectively. Market movements of that scale are one of the variables taken into account in arriving at an appropriate strategic overview position.

9.2 The latest situation confirms the fact that price movements on a relatively modest scale are a normal part of the picture and do not significantly affect viability at the level being considered here. As at July 2011 (the latest available Land Registry reporting) Portsmouth average prices were noted to have returned to a very similar level to that seen at April 2010 (Index of 256.6 compared to 257.3 in April 2010; and 251.4 in January 2011). The rise back to the index position of 256.6 equates to a rise in average prices of about 2.1% over the period January 2011 to July 2011.

Question 10:

On what basis is it concluded that the "mid-range value level" is the most relevant for Portsmouth (para. 3.2.4 of Viability Assessment)?

10.1 The mid range values are considered to be the most representative for the type of schemes likely to come forward in the city.

10.2 This view is informed by previous research undertaken for the affordable housing study by the same consultants (taking account of market movements), as well as the refreshed new build values research carried out for the CIL viability study. The research is outlined in section 2 of the viability study.

10.3 Value levels stated by developers and their advisers for recent and current scheme proposals in the city also supports this view. For example:

- Apartment scheme in Southsea – estimated market values from £250 to in excess of £400/sq ft (chiefly in £300/sq ft i.e. £3,000/sq m plus) indicated (approx range £2,690- £4,575/sq m).
- Town Centre residential scheme (flats and houses) in traditionally lower value area – £2,800 sq m scheme-wide average.
- Major site in the north of the city close to mixed / typically lower value roads - range of dwelling types – range £2,500 - £2,900 sq m approx.

Question 11:

Are the unit sizes as set out in Figure 4 of the Viability Assessment justified and appropriate?

11.1 Yes, these are appropriate dwelling size assumptions for a viability review. The affordable homes sizes are typical of registered provider provision, as led by the development standards associated with those. The market dwelling sizes have been selected through wide experience of typical new builds.

11.2 Size assumptions have been adopted in order to be able to drive a range of other appraisal assumptions. This approach also makes the consideration of the dwelling mix and affordable housing more meaningful.

11.3 However, it is important to note that the residential values and costs are related to per square metre figures, so that in fact those value and cost levels can also be applied to unit types and sizes other than those assumed for the appraisals – those rates are therefore more important than the dwelling size assumptions in terms of the relationship between values and costs that is always so critical for the viability of any scheme.

Question 12:

Do the rates strike an appropriate balance between contributing to infrastructure funding and the potential effect of CIL on the economic viability of development in the city?

12.1 Yes. As it confirmed in its Section 212(4) declaration [10], the council has, in accordance with regulation 14 of the Community Infrastructure Regulations 2010 [11], aimed to strike what appears to the council to be an appropriate balance between —

> ‘the desirability of funding from CIL (in whole or in part) the actual and expected estimated total cost of infrastructure required to support the development of its area, taking into account other actual and expected sources of funding and the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area.’

12.2 The background work to the charge setting considered the infrastructure funding gap with reference to the council’s IDP and a review of the IDP specifically with CIL in mind, which culminated in table 1 of the draft charging schedule consultation document[12]. Table 1 has demonstrated that there is a substantial funding gap for the infrastructure needed to support the future development of the city.

12.3 The council commissioned a viability assessment and has had due regard to the findings of that assessment in setting its CIL rates, as has been shown in the draft charging schedule consultation paper and in this paper.

12.4 The council is satisfied that its proposed CIL rates will not hamper the development of the city as a whole, because:

a) The viability work took account of government advice that CIL rates should not be set at the limits of viability and made its recommendations accordingly (paragraph 3.2.6 of the viability report)

b) Much of the city’s housing supply is considered to be of the medium value type, which should be well able to bear the proposed CIL (see question 10 of this paper)

c) The viability work demonstrated that setting lower CIL rates would not necessarily improve viability as it is rarely the CIL alone that makes development unviable (paragraphs 1.1b of this paper)

---

[10] http://www.portsmouth.gov.uk/media/Section_212_4__declaration.pdf
[11] http://www.legislation.gov.uk/ukdsi/2010/9780111492390/regulation/14
[12] Page 5, http://www.portsmouth.gov.uk/media/CIL_draft_charging_schedule_for_consultation.pdf

d) The delivery of office and industrial development, key uses needed for the regeneration of the city will not be hampered by CIL, as a zero rate is proposed based on viability considerations.

12.5 The city council acknowledges that the CIL may have an impact on the viability of some schemes, particularly in the short term, if CIL was not factored in at the time of land acquisition. But the city council accepts any such impact that CIL may have, because it believes that it has balanced viability considerations appropriately against the matter of infrastructure funding needs.

12.6 In the long term, the city council considers that the levy may actually stimulate development and regeneration in the city, as the contributions will help infrastructure to be delivered. It is clear that the total revenue likely to come from CIL over the next 20 years or so will not come close to meeting the city's funding needs for infrastructure, but it will make a significant contribution.

12.7 All in all, the city council therefore considers that in setting its CIL rates, it has indeed struck an appropriate balance between contributing to infrastructure funding and the potential effect of CIL on the economic viability of development in the city.

Appendix 1 – CIL rates as a proportion of GDV

Portsmouth City Council Residential Values Assumptions for 2011 CIL Viability Study

Value Level	Low	Low/Medium	Medium	Medium High	High
1-bed flat	£2,000	£2,500	£3,000	£3,500	£4,000
2-bed flat	£2,000	£2,500	£3,000	£3,500	£4,000
2-bed house	£1,900	£2,375	£2,850	£3,325	£3,800
3-bed house	£1,900	£2,375	£2,850	£3,325	£3,800
4-bed house	£1,800	£2,250	£2,700	£3,150	£3,600

Portsmouth City Council Residential CIL Rate (£105/m²) as a proportion of GDV

Value Level	Low	Low/Medium	Medium	Medium High	High
1-bed flat	5.3%	4.2%	3.5%	3.0%	2.6%
2-bed flat	5.3%	4.2%	3.5%	3.0%	2.6%
2-bed house	5.5%	4.4%	3.7%	3.2%	2.8%
3-bed house	5.5%	4.4%	3.7%	3.2%	2.8%
4-bed house	5.8%	4.7%	3.9%	3.3%	2.9%
Average	5.5%	4.4%	3.7%	3.1%	2.7%
Overall Average			3.9%		

Portsmouth City Council Commercial Values Assumptions for 2011 CIL Viability Study

Yield	8.0%			7.5%			7.0%		
Capitalised Value Level	Low	Medium	High	Low	Medium	High	Low	Medium	High
A1 - OOT Retail Warehouse	£2,000	£2,250	£2,500	£2,133	£2,400	£2,667	£2,286	£2,571	£2,857
A1, A2, A3, A4, A5 - Small Retail)	£1,500	£1,750	£2,000	£1,600	£1,867	£2,133	£1,714	£2,000	£2,286
B1(a) Offices - Centre	£1,250	£1,625	£2,000	£1,333	£1,733	£2,133	£1,429	£1,857	£2,286
B1(a) Offices - OOT Business Park	£1,250	£1,625	£2,000	£1,333	£1,733	£2,133	£1,429	£1,857	£2,286
B1 light industrial, B2, B8 - Industrial	£813	£938	£1,063	£867	£1,000	£1,133	£929	£1,071	£1,214
C1 - Hotel	£2,250	£2,500	£2,750	£2,400	£2,667	£2,933	£2,571	£2,857	£3,143
C2 - Residential Institution	£2,000	£2,250	£2,500	£2,133	£2,400	£2,667	£2,286	£2,571	£2,857

Portsmouth City Council Commercial CIL Rate as a proportion of GDV

Yield	8.0%			7.5%			7.0%		
Value Level	Low	Medium	High	Low	Medium	High	Low	Medium	High
A1 - OOT Retail Warehouse (£105/m²)	5.3%	4.7%	4.2%	4.9%	4.4%	3.9%	4.6%	4.1%	3.7%
A1, A2, A3, A4, A5 - Small Retail (£53/m²)	3.5%	3.0%	2.7%	3.3%	2.8%	2.5%	3.1%	2.7%	2.3%
B1(a) Offices – Centre (£0/m²)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
B1(a) Offices - OOT Business Park (£0/m²)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
B1 light industrial, B2, B8 – Industrial (£0/m²)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
C1 – Hotel (£53/m²)	2.4%	2.1%	1.9%	2.2%	2.0%	1.8%	2.1%	1.9%	1.7%
C2 - Residential Institution (£53/m²)	2.7%	2.4%	2.1%	2.5%	2.2%	2.0%	2.3%	2.1%	1.9%