

EH-06 Further Response to Examiners Questions (ID-05) regarding Hotel CIL Charge

02 July 2015

In response to Mr Sowerby's request for the supporting appraisal this is attached in the same format previously used. The response to the Examiner is not considered to be terse but rather is intended to be brief. It addresses only the points that the Examiner had requested in order to assist her to a speedy decision. As the revised appraisal was not requested this had not been included in EH05. This appraisal is attached to this note as appendix 1.

There was no intention to record the meeting with Lamron and Bell Cornwell from the 10th June. The meeting was an opportunity for the respondent to conclude presenting their case to Adams Integra. Their case was specifically regarding a Premier Inn style hotel on a specific site in Alton which included a large [600 m²- 190 covers] integral Beefeater restaurant. This also showed a large car park and consequently larger site area than for just a hotel. It was agreed that this was not a usual format and unlikely to be repeated elsewhere in the district.

The latest appraisal tests the larger format generic hotel [3,818 m²] only as requested by the Examiner, using inputs discussed with Lamron. It should be pointed out that Adams Integra did not agree with all of the points being made or the figures being put forward by Lamron at the meeting on the 10th June.

There is also disagreement on the benchmark land values to be used and the site area required. It is acknowledged that the surplus to support a CIL charge will vary between town centre and brown field development compared to edge of town, green field development.

However based on a 3 storey development the 3,818 m² Gross Internal Area should require a site of 0.342 Ha after adding 7.5% to convert the floor area to Gross External and allowing for the hotel building to cover 40% of the site area with the balance being taken for parking and landscaping. Therefore the appraisal shows a residual land value equivalent to £701,515 per Ha [$£240,245 \times 2.92$] compared to a benchmark value of £534,081 per Ha [$£182,656 \times 2.92$].

If the development is constructed with 4 storeys, the land requirement should reduce and with some town centre developments the building could go higher with 100% site cover with undercroft and/or basement car parking or no parking at all. Construction costs and the Gross Development Value increase in these scenarios albeit not directly proportional.

Taking all of these scenarios into consideration the Charging Authority and their consultants Adams Integra still consider that the evidence adequately shows that a £70 per m² charge will not affect hotel development from coming forward in East Hampshire.

Commercial Development Appraisal

Use Class: Hotel

DEVELOPMENT VALUE			
Capital Value			
	Area sq m	£	
No of Rooms	100		
Rental value per room	3,818	£5,000	£500,000
Investment Yield		5.00%	
Total Capital Value			£10,000,000
Gross Development Value		£10,000,000	
Less Purchaser's Costs		5.75%	£575,000
			£9,425,000

DEVELOPMENT COSTS			
	Area	£ per sq m	Total
Demolition/Enabling Costs	1,909	£50	£95,450
Building Costs		£1,479	£5,646,822
Area	3,818		
Contingency		5%	£282,341
External Works		5.00%	£282,341
Professional Fees		12%	£689,073
Community Infrastructure Levy		70	£267,260
Total			£7,263,287
Disposal Costs			
		%	Total
Letting Agent's Fee (% of Rent)		10%	£50,000
Letting Legal Fees		2.50%	£12,500
Agent's Fees (on capital value)		1%	£100,000
Legal Fees (% of capital value)		0.25%	£25,000
Total			£187,500
Interest on Finance			
	Months	%	Total
Total Development duration	12		
Loan arrangement fee		1%	£36,316
Interest on Construction Costs		6.5%	£472,114
Total			£508,430
Profit			
		%	Total
Developer's Profit on Total Development Cost		15%	£1,193,883
Total Development Costs			£9,153,099

LAND VALUE			
		%	Total
Land Surplus			£271,901
Stamp Duty		4%	£10,876
Agent's Fees		1.00%	£2,719
Legal Fees		0.50%	£1,360
Total			£14,955
Interest on land finance		6.50%	£16,701
Total			£31,656
RESIDUAL LAND VALUE			£240,245

Existing Site Value			
	%		
Assumes existing space is % of new	50%	1,909	
Rent per sqm		£48	
Rental income per annum		£91,632	
Rent free/voids (years)		2	0.82644
Total revenue, capitalised (incl all costs)			£75,728
			£757,284
Refurbishment costs (per sqm)		£260	£496,340
Fees		7%	£34,744
Total			£531,084
Purchaser's Costs		5.75%	£43,544
			£574,628
Existing Site Value			£182,656

Site Value incl Landowner Premium	20%	£36,531	£219,187
Surplus available to fund CIL			£21,057

Surplus to fund CIL - sensitivity

Construction costs	£1,379	£1,479	£1,579	£1,679
Investment Yield				
4.50%	£1,729,251	£1,222,820	£716,388	£209,956
4.75%	£1,249,679	£743,248	£236,816	-£269,615
5.00%	£818,065	£311,633	-£194,799	-£701,230
5.25%	£427,556	-£78,876	-£585,307	-£1,091,739

Surplus after CIL Charge £21,057

CIL Charge as % of GDV 2.67%