

## London Legacy Development Corporation

### Community Infrastructure Levy Charging Schedule Examination

#### Key Issues Discussion Paper

##### **Issue 1 – Is the charging schedule supported by appropriate and up-to-date evidence?**

###### (i) **Infrastructure planning evidence**

- (a) *Is the Charging Schedule justified by **appropriate evidence**, having regard to the relevant criteria, including Regulations 12 to 17 of the CIL 2010 Regulations (as amended), CIL Guidance (2014), NPPF (the Framework), national Planning Practice Guidance (PPG), Part 11 of the Planning Act 2008 (as amended), the local economic context and infrastructure needs, the emerging LLDC Revised Local Plan, the LLDC Infrastructure Delivery Plan Review, and the Harman Report?*
- (b) *Should the list of **infrastructure needs** that the LLDC intends to fund through the Levy in the Regulation 123 List be lengthened in response to representations, eg from the Environment Agency, LB Tower Hamlets and Quod/Stratford City Business District Ltd?*
- (c) *What is the estimated size of the LLDC **funding gap** in relation to the cost estimates for capital projects over the remainder of the Local Plan period (to 2030)? Would the proposed CIL charge make a significant contribution towards filling the likely funding gap, and how would it compare with the impact of the existing CIL? Are **other anticipated funding sources** expected to make good or at least significantly reduce this funding gap, for example New Homes Bonus, remaining Section 106 receipts, and other considerations?*
- (d) *Would the proposed CIL rates result in a significantly higher **overall charge for each new house**, than is the case with the existing CIL, once account is taken of the revised approach to S106 (and S278 highways) agreements that will apply once CIL is adopted?*
- (e) *Do the figures demonstrate the **need to levy CIL**? Do the relevant stakeholders agree?*

###### (ii) **Economic viability evidence**

*Is the **CIL Viability Study** (VS) and the **methodology** it uses, robust and suitable for the purpose of setting an effective CIL charging rate for the LLDC area? In particular:*

- (a) *Is the standard **residual valuation approach** used in the VS appropriate?*
- (b) *Are the **assumptions used** for the range of factors included in the VS, such as benchmark land values, construction, fees, finance, sustainability requirements, section 106 requirements, CIL and profit levels, and where appropriate, the percentage of affordable housing (AH) provision, reasonable?*

- (c) How effectively has the VS methodology adapted itself to '**real world' conditions in the LLDC area?** [For example, how effectively does it pick up on relevant local data on existing land values; likely sales prices based on a range of sites across the area; housing densities; and gross to net ratios?]
  - (d) Is the **sampling**, both in its size and range, sufficient to ensure a robust VS? Does the VS reflect the advice of the PPG (last updated 15 March 2019) to sample an appropriate range of sites reflecting a selection of the different types of site included in the Local Plan?
  - (e) How realistic is the **sensitivity testing** in the VS, for example in relation to alternative AH targets and tenure splits, and higher and lower sales values and build costs?
  - (f) In the **changed economic circumstances** since the existing CIL was adopted in April 2015, are the updates in the Charging Schedule and the categories of development which are subject to CIL appropriate, for example introducing a charge for 'all other uses except education, healthcare and affordable workspace?
  - (g) Is the **CIL zoning map for the Stratford Retail Area** appropriately drawn, or does it result in anomalies and a perception of unfairness? Is the LLDC satisfied that the zoning map does not cause more problems than it solves?
  - (h) Should a higher CIL charge be levied in relation to any other **specific areas or Sub Areas** within the LLDC?
  - (i) Has an allowance been made for a '**viability buffer**' within the modelling? Should this be applied across all typologies, and what should it be?
  - (j) Should an allowance be made for **abnormal costs**?
  - (k) Are there any other relevant **viability considerations**?
  - (l) Does the submitted CIL discriminate against using **brownfield land**?
- (iii) **Conclusion**

*Is the draft Charging Schedule supported by detailed evidence of community infrastructure needs? In particular:*

- (a) Is the evidence which has been used to inform the charging schedule robust, proportionate and appropriate?
- (b) Are the charging elements appropriate when the additional Mayoral CIL 2 rate of £60 per square metre is taken into account?

## **Issue 2 – Is the residential charging rate informed by and consistent with the evidence?**

- (i) Is the **rate for residential development** (C3 and C4 at £73.90 psm) reasonable and realistic in relation to achieving an appropriate balance between helping to fund new infrastructure and the potential impacts on

economic viability? Is the increase from £60 psm, which has been in place since April 2015, justified and effective? Is the valuation work based on a fixed density assumption or range of densities, and does this vary between the LLDC area? How does the rate relate to other neighbouring CILs, including the four constituent authorities?

- (ii) Looking at the LLDC area as a whole, does the CIL rate for residential development enable the percentage of **affordable housing** (AH) proposed in strategic policy SP2 [35% target across the area and 50% on a habitable room basis] to be realised or would the CIL rate significantly compromise the ability of the Local Plan to effectively meet the AH needs of the area? Is the CIL rate for residential development sufficiently high to have a detrimental effect on planning obligations towards AH?
- (iii) Is the proposed introduction of a new CIL rate of £73.90 psm for **Co-Living/Shared Living** developments based on reasonable assumptions about development values and likely costs?
- (iv) What type of **consultation** has the Council carried out with the building industry as part of the preparation of the submitted CIL?

### **Issue 3 – Levy rates for other uses**

- (i) What is the rational basis for the introduction of the nominal **rate for all other uses**, of £20 psm? Should this category include **Affordable Workplace** uses?
- (ii) Is there enough evidence to demonstrate that the significant increase from a zero rate in 2015 to £123.17 psm for **offices** (Use Class B1a) in the **Stratford Retail Area** is based on reasonable assumptions about development values and likely costs?
- (iii) The proposed CIL rate does not cover uses such as **research and development** and **light industry** (Use Classes B1b and c); **general industry** (Use Class B2); and **storage and distribution** (Use Class B8); these uses appear to be generally well represented in the LLDC area. Are their exclusions based on reasonable assumptions about development values and likely costs?
- (iv) Is the LLDC confident that all the necessary increased **water supply** and **waste water treatment** capacity can be secured through S106 Agreements or other means?
- (v) In relation to **retail development**, is there evidence to justify a differential rate between £123.17 for comparison and all other retail (A1-A5) within the Stratford Retail Area and zero charge elsewhere in the area? Some CILs draw a distinction between large scale retail development, typically 100 sm plus net sales area, where a higher charge is levied, and smaller retail units (say between 25-100 sm net sales area, where a lower charge is levied, with very small-scale retail development (typically below 25 sm net sales area), having a zero charge. Is the blanket separation between the Stratford Retail Area and everywhere else and the 'one size fits all' approach to the amount of the retail levy within the Stratford Retail Area based on reasonable assumptions about development values and likely costs?

- (vi) *In relation to purpose-built **student accommodation**/halls of residence and **hotels**, is there evidence to justify a 23.17% rise since 2015, based on reasonable assumptions about development values and likely costs?*
- (vii) *Are Use **Class C2 care homes** included in the residential rate of £73.90 psm? If this is the case, is the rate based on reasonable assumptions about development values and likely costs?*
- (viii) *Is there a case for levying a CIL charge in relation to **mixed use developments**?*
- (ix) *Is there enough evidence to demonstrate that a **zero charge** is appropriate for all the categories thus specified in the Charging Schedule?*

**Issue 4 - Does the evidence demonstrate that the proposed charge rate would not put the overall development of the area at serious risk?**

- (i) *Has the **appropriate balance** been struck in the following key areas:*
  - (a) *An appropriate balance between **maximising revenue** to invest in infrastructure as against the need to minimise the impact of **development viability**, including in relation to cumulative impacts; and*
  - (b) *An appropriate balance between prioritising **infrastructure funding** and **affordable housing** provision?*
- (ii) **Key underlying principle** (as set out in the VS paragraph 2.3): *Does the proposed CIL enable an appropriate balance to be struck between the desirability of funding infrastructure from the levy and the potential impact upon the economic viability of development across the LLDC area?*

**Issue 5 – Other matters**

- (i) *Does the LLDC need to commit itself to a **review of the CIL** based on appropriate triggers?*
- (ii) *Should the LLDC specify what criteria would be used to determine whether **exceptional circumstances** are appropriate?*
- (iii) *Is the LLDC's policy covering **instalment rates** reasonable?*
- (iv) *In terms of the overall costs of the scheme, broadly what would be the **impact of CIL** in percentage terms for the various land uses?*
- (v) *Is there a case for lower/zero CIL rates for **brownfield sites**?*
- (vi) *Are the **monitoring** arrangements appropriate?*
- (vii) *Are there any other CIL issues which require consideration/scrutiny?*

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