

Planning Committee Report

London Thames Gateway Development Corporation

Mayor of London: consultation response on Draft CIL Charging Schedule: Late report

Report of the Director of Planning

1 Purpose of this report

- 1.1 On 8 June 2011 the Mayor launched a four week public consultation on a draft charging schedule – the next step in setting a Mayoral Community Infrastructure Levy (CIL). The Mayor proposes to use the CIL initially to raise £300 million towards the cost of Crossrail – as agreed in the funding agreement with Government for the project. The document can be viewed and downloaded from <http://www.london.gov.uk/publication/mayoral-community-infrastructure-levy> . This consultation followed on from consultation in February 2011 on a preliminary draft charging schedule.
- 1.2 The LTGDC Planning Committee has responsibility for considering planning policy documents and providing LTGDC's formal response. In this case however a response to the draft Charging Schedule has already been submitted to the Mayor by officers, in order to meet the consultation deadline. A response was also submitted by officers in March 2011 on the preliminary draft charging schedule.
- 1.3 This report therefore, at appendix 1 and 2, attaches comments that officers have made to the Mayor of London's consultations on Crossrail CIL proposals, and seeks members formal endorsement of those comments.

2 Recommendation

- 2.1 That the Committee **Agree** the Director of Planning responses at appendix 1 and 2 as the LTGDC's formal response on the Mayor of London's proposals for CIL.

3 Background

- 3.1 The Mayor's draft charging schedule consultation document:

- Gives some background information about the CIL and how it is set
 - Explains the Crossrail project and the arrangements for its funding, including the part identified for the CIL
 - Sets out the draft charging schedule, to which the consultation formally relates. This can be found on pages 25-32 of the document.
 - Explains the development viability evidence on which the CIL proposals are based
 - Describes the considerations the Mayor has taken into account in developing these proposals
 - Sets out how responses should be made to the Mayor's proposals and how organisations and individuals can make sure they will be involved in the next stages of the process (what the CIL Regulations call the "statement of the representations procedure").
- 3.2 The mayor intends to charge the Community Infrastructure Levy in Greater London on all development except health or education uses, on a £ per square metre of floorspace basis. The differential rate is proposed, with each London borough being within one of three bands, with boroughs with higher land values having higher rate, and boroughs with lower land values having a lower rate. Hackney and Tower hamlets fall within zone 2, £35 a square m, with Barking and Dagenham, Newham and Havering falling within zone 3, £20 a square m. Although there is a wide variation in land value from one part of a borough to another, the Mayor does not propose to set differential rates within boroughs.
- 3.3 Under regulations 57 and 58 of the CIL regulations, the Mayor may allow relief for exceptional circumstances (relating specifically to developments in respect of which there is also a section 106 agreement, where sums payable under that agreement are higher than the amount of CIL payable). The Mayor does not however intend to make this relief available at this point.

4 LTGDC response

- 4.1 As the letters that were sent in response to the consultation by officers set out, it is considered that the importance of Crossrail to the future of London, and the strategic benefits it brings to all parts of the city, especially to the LTGDC area is recognised. The importance of the proposed CIL as a contribution to the overall funding package should also be recognised.
- 4.2 However there is a concern that imposition of the CIL may mean that, in effect, CIL for Crossrail is top sliced, and the other impacts of development cannot be properly addressed through financial contributions.
- 4.3 Although the comments in the attached letters are made with reference to LTGDCs current approach to infrastructure provision, we should ensure that the Crossrail CIL will be able to operate effectively alongside any

future MDC or borough approach to infrastructure provision in the LTGDC area, that is needed to ensure ongoing regeneration.

- 4.4 Therefore, officers have suggested that this could be addressed satisfactorily within Development Corporation [i.e. LTGDC's or the proposed Mayoral Development Corporation's urban development area] areas, or for Enterprise Zones, by the Mayor, allowing exceptional circumstances relief under Part 6 of the regulations, or by the mayor setting a differential rate in such areas.

Appendix 1: Officer response to Mayor's consultation on Draft Charging Schedule, proposals for a Mayoral Community Infrastructure Levy dated 8 July 2011.

Appendix 2: Officer response to Mayor's consultation on Preliminary Draft Charging Schedule dated 1 March 2011.

Date: 11 July 2011



Boris Johnson Mayor of London
Draft CIL Charging Schedule
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8 July 2011

Dear Mr Johnson

Draft Charging Schedule

Thank you for providing London Thames Gateway Development Corporation (LTGDC) with the opportunity to comment on the Draft Charging Schedule for a Mayoral Community Infrastructure Levy.

This is an officer level response only.

LTGDC is a limited life organisation, with an anticipated end date of March 2013. However, the regeneration of the Lower Lea Valley and the infrastructure requirement will continue beyond our life. The Mayor of London has already recognised the necessity of continuing regeneration, through his proposal to establish a Mayoral Development Corporation, and his support for an Enterprise Zone in the Royal Docks. Although the comments in this letter are made with reference to our current approach to infrastructure provision, we are concerned to ensure that the Crossrail CIL will be able to operate effectively alongside any future MDC or borough approach to infrastructure provision in our area that is needed to ensure ongoing regeneration.

LTGDC responded to the consultation on the Preliminary Draft CIL Charging Schedule in March 2011. A copy of our letter is attached. We have considered how the comments made by LTGDC have been addressed by the Draft CIL Charging Schedule published on the 8 June 2011.

We do not consider that the point we made regarding top slicing CIL and addressing the other impacts of a development have been properly responded to in the draft charging schedule. Although accepting that the Mayor's evidence shows that the Crossrail CIL will not necessarily on its own make development unviable in our area, LTGDC are concerned that imposition of the CIL may mean

that, in effect, CIL for Crossrail is top sliced, and the other impacts of development cannot be properly addressed through financial contributions.

The examples the Mayor cites, of Redbridge and Wandsworth's CIL rates, are not directly comparable to our areas. Work carried out for LTGDC suggests that a reasonable maximum overall level of CIL on residential development in the Lower Lea Valley, equivalent to the LTGDC discounted standard charge (i.e. £10,000 per unit), could be around £85 - £100 per square metre. LTGDC has in some cases accepted that some development cannot remain viable and pay the present discounted standard charge of £10,000 per unit and has accordingly adjusted the amount it has sought in connection with s106 agreements. In Newham the CIL available for local infrastructure would be reduced by £20 a square metre and in Hackney and Tower Hamlets by £35 a square metre by the Crossrail CIL. It should be noted that the total costs of the infrastructure (excluding Crossrail) required in the LTGDC Lower Lea Valley area are estimated at £22,360 a unit or around £310 per square metre.

Given the infrastructure requirements in the Lower Lea Valley needed to support the scale of new development, in LTGDC's view the top slicing of CIL by the Mayor would mean that a local planning authority would have to consider refusing developments as the development may not be able to afford to pay CIL as well as the contributions towards other infrastructure, required under our Planning Obligations strategy (or any future CIL and s106 arrangements that the MDC or relevant Borough puts in place). The contributions under our strategy are required to make development acceptable in planning terms. In such cases therefore, the local planning authority would be in the position of having to consider refusing planning permission for developments that would regenerate the area. As the examples above show, with the Mayor's CIL in place, somewhere between 20% and 40% of the potential CIL / Planning Obligations payments in the LTGDC area would be top sliced for Crossrail.

This issue could in our view, be addressed satisfactorily within designated Development Corporation areas [i.e. LTGDC's or the proposed Mayoral Development Corporation's urban development area] , or for Enterprise Zones, by the Mayor, allowing exceptional circumstances relief under Part 6 of the regulations, or by the Mayor setting a differential rate in such areas.

We would welcome the opportunity to participate in the EIP on this matter and discuss our comments in more detail.

In relation to the other point made in our March letter, LTGDC are pleased that the Mayor will be discussing a common Londonwide policy on instalments with boroughs and developers.

Again, we would like to emphasise that LTGDC recognise the importance of Crossrail to the future of London, and the strategic benefits it brings to all parts of the city, especially to the LTGDC area. LTGDC also recognise how important the proposed CIL is as a contribution to the overall funding package.

Yours sincerely

A handwritten signature in cursive script, appearing to read "J.P. Allen".

John Allen
Director of Planning



Boris Johnson Mayor of London
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1 March 2011

Dear Mr Johnson

Preliminary Draft Charging Schedule

Thank you for providing London Thames Gateway Development Corporation (LTGDC) with the opportunity to comment on the Preliminary Draft Charging Schedule for a Mayoral Community Infrastructure Levy.

This is an officer level response only.

LTGDC's statutory objective is to regenerate the areas of London Riverside and the Lower Lea Valley. The LTGDC has an indicative remit until 2012 in London Riverside (although planning powers will return to the boroughs in London Riverside in 2011) and until 2013 in the Lower Lea Valley.

In summary, the Corporation aims to regenerate the LTGDC area by:

- Bringing land and buildings back into effective use
- Creating an attractive environment
- Encouraging economic growth and
- Ensuring that housing and facilities are available to encourage people to live and work in the area.

Our ambition is the creation of vibrant, thriving sustainable communities that are environmentally responsible, well designed and provided with all necessary infrastructure. We aim to regenerate Lower Lea Valley and London Riverside into places where people want to live, work, shop and relax. Working with our partners we want to provide mixed tenure neighbourhoods complete with good public transport, shops, leisure facilities, schools, healthcare and jobs.

LTGDC have adopted a 'Planning Obligations Community Benefit Strategy' which sets out the Corporation's approach to planning obligations. The strategy

aims to ensure that development contributes appropriately, financially or in kind toward the infrastructure that needs to be provided in the LTGDC area.

Advice to LTGDC is that a Standard Charge per new dwelling of £22,400 in the Lower Lea Valley and £30,400 in London Riverside would be justified as a contribution towards the significant infrastructure needs of the area. We recognise however that contributions on this scale, in most cases, are not viable and seeking to levy a charge at that level would, at the moment, inhibit regeneration and development.

Our approach is therefore to seek a Discounted Standard Charge of £10,000 per unit in the Lower Lea Valley and £6,000 per unit in London Riverside. The Discounted Standard Charge is reviewed every two years.

At present there is no standard charge associated with non residential development, but contributions are negotiated on a case by case basis.

Implementation of the Planning Obligations Community Benefit Strategy has been very successful. LTGDC has negotiated more than £60 million to date via the strategy for strategic infrastructure (in addition to £40 million for other specific benefits). LTGDC has signed 16 S106 agreements that include the charge and 2 are pending. LTGDC has received and spent/allocated £2 million of the charge funds and another £2 million is expected spring/summer 2011. The use of this funding will help deliver important new infrastructure in the LTGDC area, alongside extensive new development.

It is important to note however, that under our strategy the viability of individual developments can still be taken into account and balanced against the need for infrastructure. This is not the case with the proposed Mayoral CIL.

LTGDC are concerned about the impact the Mayor's Crossrail CIL may have on the viability of development in our areas. In particular however LTGDC are concerned that imposition of the CIL may mean that, in effect, CIL for Crossrail is top sliced, and the other impacts of development cannot be properly addressed through financial contributions.

We have carried out some simple financial calculations to determine the impact that the proposed CIL may have had with regard to some of our recently signed section 106 agreements.

These calculations indicate that the Mayoral CIL would have accounted for between 0% Portree House (100% affordable) 16% Albert House (50% affordable), 50% Kiwk Fit Stratford High Street (commercial development), 75% Rathbone Market (25% affordable) of the financial contributions secured by LTGDC through its planning obligations strategy.

LTGDC recognise the importance of Crossrail to the future of London, and the strategic benefits it brings to all parts of the city. LTGDC also recognise how important the proposed CIL is as a contribution to the overall funding package.

However, LTGDC consider, that in some planning applications, the imposition of CIL would mean that a local planning authority would have to consider refusing developments that could not meet the financial contributions required under CIL, as well as those required under its own Planning Obligations strategy. The contributions under our strategy are required to make development acceptable in planning terms. In such cases therefore, the local planning authority would be in the position of having to consider refusing planning permission for developments that would regenerate the area.

LTGDC have discussed the proposals for a Mayoral CIL with London First. LTGDC would like to endorse some of the comments made by London First, in particular the key issues identified on page 1 of their submission:

Cumulative burden placed on development: this point is similar to the points made by us above.

Exceptions process: LTGDC support the introduction of a fair and transparent exceptions process as suggested by London First. In our view such a process could also help strategically important regeneration developments in East London, for example Canning Town, Bromley by Bow and Sugar House Lane.

Phasing and payments: LTGDC support flexibility in payment, including bespoke payment arrangements for individual schemes.

We would welcome the opportunity to participate in the EIP on this matter and discuss our comments in more detail.

Yours sincerely

A handwritten signature in black ink, appearing to read 'J.P. Allen', written in a cursive style.

John Allen
Director of Planning