Wilson, Caroline

From:	Luck, Ralph <[redacted]>
Sent:	02 March 2017 08:20
To:	planningpolicy
Subject:	Revised CIL Charging Schedule and Regulation 123 list
Follow Up Flag:	Follow up
Flag Status:	Flagged

I refer to the above consultation. In relation to the student Housing categorisation I still consider that there is some misunderstanding of what actually happens in the market. There are two types of providers, Universities and the Private Sector, the latter of which either contract and directly let to students or via Nomination agreements with Universities. Equally Universities provide housing for students direct and not via Nomination Agreements. The issue for the CIL charge is surely the rent at which the homes are let. The figure of £168 was set in the summer of 2014, it was too low then and is far too low now. Even if it was correct in 2014 a minimum of 9% uplift, as per the CIL increase, would take it to £183 pw.

If a student unit were let at £163 pw for 41 weeks this would produce an annual gross rent of £6,683 or a net rent of £4,683 which as a capitalised investment would be worth £93,660 - £117,075 depending on its location, which would not cover the cost of land, construction, fees , finance and profit. I would suggest that the figure needs to be at least in the region of £190 - £200 for a basic ensuite cluster unit.

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PL/DS2

13 March 2017

Freepost SE1919/14
Douglas McNab
Planning Policy
Chief Executive's Department
London SE1P 5EX

Dear Douglas

LONDON BOROUGH OF SOUTHWARK - DRAFT COMMUNITY INFRASTRUCTURE LEVY CHARGING SCHEDULE (JANUARY 2017)

REPRESENTATIONS OF SHAW CORPORATION & BARKWEST LIMITED

These representations on the draft Community Infrastructure Levy Charging Schedule are made by Barkwest Limited ('the landowner') and Shaw Corporation acting as Barkwests' client representative in respect of 747 to 775 Old Kent Road, London ('the Site').

The Site is located at the southern end of the Old Kent Regeneration Opportunity Area ('OKROA') and the landowner is considering a comprehensive redevelopment of the Site.

The Landowner recognises that the need for appropriate infrastructure provision in the OKROA, and it is this provision most notably in the form of the Bakerloo Line extension, that will in turn unlock the development potential. However, the delivery of the major sites particularly in the Opportunity Areas is constrained by a range of factors, and placing too high a reliance on the funding of infrastructure projects through the capture of CIL on these challenging site puts the delivery of the sites and the strategic objectives at risk.

The draft Charging Schedule is published in accordance with the Community Infrastructure Levy Regulations 2010 (as amended). The draft Charging Schedule presents the new proposed CIL charges on a £ per square metre (GIA) basis for all new chargeable development.

The National Planning Policy Framework is clear that a requirement for obligations and CIL, should seek to strike the right balance between meeting the infrastructure gap funding challenge and ensuring that new development remains deliverable.

The Charging Authority comprises three zones, broadly a higher value zone one incorporating the Bankside / riverside area to the north of the borough, a lower value zone three located centrally and a mid-value area zone two encompassing the rest of the borough. There have been several changes to the zonal areas incorporated in the new draft Charging Schedule.

The Site in question has been relocated from the lower zone three to the higher value zone two. It should be clearly recognised that residential values in the southern part of the OKROA are not comparable to the northern part, and as such, the movement of sites from CIL zone three to zone two and the subsequent increased CIL liability is a major concern for landowners. The Charging Authority should as a very minimum consider the retention of the zonal areas as currently adopted as there is no evidence based justification to support higher CIL rates in the lower value areas.

The recommendations contained within the BNP Paribas evidence supporting the draft Charging Schedule acknowledge the difficulty, particularly at the southern end of the OKROA, of generating viable schemes with 35% affordable housing. Existing policy flexibility is a welcomed recommendation and essential.

Landowners acknowledge that the potential CIL receipts will have a significant impact on the ability to fund infrastructure. What is important though, is that the ability for schemes to get off the ground and pay these CIL liabilities depends on the viability of the individual schemes and the availability of various sources of funding. The clear risks of ignoring such facts are contrary to the requirements of the NPPF and NPPG.

The evidence base clearly demonstrates the tensions of seeking to deliver 35% affordable housing and an increased CIL rate. The landowner therefore supports Southwark in their proposed delivery of the draft Charging Schedule given the recognition of the costs of delivering important infrastructure and the accompanying benefits for all stakeholders but the Council must also recognise the difficulty of delivering 35% affordable housing in the Opportunity Area.

Alternatively, if the Council seeks to mandate 35% affordable housing delivery there will be a need to reduce the CIL charges. The former provides existing flexibility as the viability of one site will differ from another and the broad-brush approach of fixed CIL and affordable housing obligations can militate against sites coming forward for delivery. Such an action is contrary to current Central Government, Mayor of London and the Council's own policies.

Accordingly, there should be flexibility in either the CIL rate or the headline policy affordable housing percentage and / or tenure mix within the Opportunity Area. This could mean a differential headline affordable housing target in the OKROA in order to accommodate CIL and maintain the delivery of sites.

The landowner would very much welcome a discussion on this important matter with the Council and other landowners who are faced with the same issue.

DS2 LLP

March 2017

Wilson, Caroline

From: Dale Greetham <[redacted]>
Sent: 13 March 2017 16:11
To: planningpolicy
Subject: Southwark CIL Charging Schedule and 123 List

Dear Sir/Madam

Southwark CIL Charging Schedule and 123 List

Thank you for consulting Sport England on the above document. Sport England is the Government agency responsible for delivering the Government's sporting objectives. Maximising the investment into sport and recreation through the land use planning system is one of our national and regional priorities. You will also be aware that Sport England is a statutory consultee on planning applications affecting playing fields.

In response to the consultation, Sport England would like to make the following comments on the consultation document:

Draft Revised CIL regulation 123 List

Sport England welcomes the reference to sports facilities within this section, however, indoor and outdoor sports facility requirements should be adequately provided for.

Sport England's Land Use Planning Policy Statement 'Planning for Sport Aims and Objectives' (http://www.sportengland.org/media/162412/planning-for-sport_aims-objectives-june-2013.pdf) should be taken into account. The statement details Sport England's three objectives in its involvement in planning matters;

1) To prevent the loss of sports facilities and land along with access to natural resources used for sport.
2) To ensure that the best use is made of existing facilities in order to maintain and provide greater opportunities for participation and to ensure that facilities are sustainable.
3) To ensure that new sports facilities are planned for and provided in a positive and integrated way and that opportunities for new facilities are identified to meet current and future demands for sporting participation.

Furthermore,

OBJECTION – Local Plan & Evidence Base

The National Planning Policy Framework (NPPF) requires each local planning authority to produce a Local Plan for its area. Local Plans should address the spatial implications of economic, social and environmental change. Local Plans should be based on an adequate, up-to-date and relevant evidence base. In addition, paragraph 73 of the NPPF requires that:

"Planning policies should be based on robust and up-to-date assessments of the needs for open space, sports and recreation facilities and opportunities for new provision. The assessment should identify specific needs and quantitative deficits or surpluses of open space, sports and recreational facilities in the local area."

Although Sport England acknowledges that a Playing Pitch Strategy is currently being undertaken, we are not currently aware of a robust evidence base for playing pitches and indoor sports facilities for Southwark. It is not clear how this lack of evidence base has been/will be taken into account to develop this document.

Sport England would be happy to provide further advice on how Lambeth Council can strategically plan for sports facilities. There are a number of tools and guidance documents available, which can be found on Sport England's website at: http://www.sportengland.org/facilities__planning/developing_policies_for_sport.aspx. In addition, Sport England has a web based toolkit which aims to assist local authorities in delivering tailor-made approaches to strategic planning for sport. This can be found on Sport England's website at: http://www.sportengland.org/facilities__planning/planning_tools_and_guidance.aspx. The toolkit focuses on built facilities for sport and recreation, setting out how planners can make the best use of sport-specific planning tools in determining local facility needs.

We hope these comments can be given full consideration. Please do not hesitate to contact the undersigned if you have any queries or would like to discuss the response.

Kind regards

Dale Greetham
Planning Manager

[redacted]

SPORT ENGLAND

1st Floor, 21 Bloomsbury Street, London, WC1B 3HF

Transport for London

Our ref: Land Use Planning/Boroughs/Southwark/CIL

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Group Planning

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Planning Policy
Chief Executive's Department
LB Southwark
London SE1P 5LX

By email

13 March 2017

Dear Colleague,

Planning Act 2008
London Borough of Southwark CIL – Draft Charging Schedule

Thank you for your invitation to comment on the London Borough of Southwark's Community Infrastructure Levy (CIL) draft charging schedule. I am responding on behalf of Transport for London and the comments here are based upon the Draft Community Infrastructure Levy Charging Schedule consultation documents dated January 2017.

I would wish to reiterate my comments of 23 September on the PDCS consultation in welcoming the principle of Southwark seeking to secure appropriate developer contributions in order to support the funding and delivery of improved transport infrastructure, particularly the Bakerloo Line extension.

I would also highlight again the challenge faced in securing funding for infrastructure critical to unlocking growth, particularly the timing of contributions, the scope of development that should pay, and the impact of such payments on the viability of development.

On a more detailed matter, concerns remain that were expressed in the earlier 2014 RDCS consultation regarding the r123 list (letter of 25 Feb 2014 attached, especially point i). In particular, the potential for necessary site-specific mitigation for development proposals being constrained by the content of the r123 list, with resulting uncertainty that such infrastructure could be funded and brought forward in a timely fashion through borough CIL receipts.

I would be grateful if you could note our request to be notified of submission of your draft charging schedule for examination, publication of the examiner's recommendation and approval of the charging schedule by the council.

Yours sincerely

[redacted]

Neil Lees
Team Manager, Planning Obligations
[redacted]

Transport for London

Our ref: Cdl/boroughplanning/Southwark/CIL/
RevisedDraftchargingschedule

Transport for London
Group Planning

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www.TfL.gov.uk

London Borough of Southwark
Planning Policy
Chief Executive's Department
FREEPOST SE1919/14
London SE1P 5LX

25 February 2014

Dear Sir / Madam,

LB Southwark CIL – Revised Draft Charging Schedule (RDCS)

Thank you for your invitation to comment on the borough's CIL revised draft charging schedule. The comments provided here are based on the consultation documents, particularly the Revised Draft CIL Charging Schedule (Dec 2013), and Draft Regulation 123 List (Dec 2013).

The Mayoral CIL will deliver £300m, and the Mayor is also committed to providing a further £300m to Crossrail to be raised from developer contributions through the use of planning obligations. This formed part of the funding settlement agreed with Government. In this context, we are pleased to note that in preparation of its RDCS, the borough has taken both the Mayoral CIL and the Mayor's supplementary planning guidance on 'Use of Planning Obligations in the Funding of Crossrail' fully into account.

I note that the Council has published its Draft Regulation 123 list, indicating the types of the infrastructure projects or types of infrastructure it intends to fund through CIL. TfL welcomes the early development of this work in order that it can be properly considered by interested parties and at the Examination. I would make the following observations in respect of the draft list:

i) Whilst TfL is pleased to see the number and breadth of proposed transport infrastructure on which Southwark propose to use CIL, as the Council will not be able to use s.106 agreements to secure those schemes identified on the Regulation 123 list, are you satisfied that you will not be unduly restricted in both securing a range of transport improvements from developers, and being able to deliver the projects identified (for example, in respect of cycle routes).

ii) TfL has an important role in the delivery of several of these projects and we would wish to work closely with Southwark in developing proposals to enhance transport infrastructure in the borough.

iii) I note that the Infrastructure Plan is a 'living document' which will be updated regularly. There is a need for it to be updated to reflect current thinking (for example, in respect of Elephant & Castle station).

iv) The BNP Viability Report identifies potential annual income from the CIL as £4.98m initially (excluding commercial development). The commitment to spend 25% on local projects is also noted. It would be helpful to understand Southwark's likely CIL generation and prioritisation of 123 projects in order that this can be aligned with TfL's spending plans where necessary.

v) It is unclear how the relatively modest CIL generation is intended to address the substantial aspirations set out within within the Draft 123 list, such as the circa £2bn cost of the Bakerloo line extension.

vi) The Draft 123 list might benefit from greater clarity in differentiating between items to be funded via the Elephant & Castle SPD tariff and funding via the Southwark CIL.

I am aware that the GLA will be responding to you separately on behalf of the Mayor of London following consideration of issues such as policy and CIL regulations compliance including viability analysis.

I would be grateful if you could note our request to be notified of submission of your draft charging schedule for examination, publication of the examiner's recommendation and approval of the charging schedule by the council. We would also request that we be heard at any public examination that is held into your revised draft schedule in accordance with regulation 21 of the Community Infrastructure Levy Regulations 2010.

If you would find it helpful, I would be pleased to meet with you to discuss these matters.

Yours faithfully

Neil Lees
Team Manager, Planning Obligations
[redacted]

Berkeley
Designed for life

Rolfe Judd
Planning

Detailed Representations by Berkeley Homes (South East London) Ltd on:

- Draft Community Infrastructure Charging Schedule (January 2017)
- Draft CIL Regulation 123 List (January 2017)
- Background Paper – CIL and S106 (January 2017)
- Old Kent Road Opportunity Area Viability Study (April 2016)
- Consultation Plan (December 2016)

13 March 2017

Introduction and previous representations

We set out below a response prepared on behalf of Berkeley Homes (South East London) Ltd on the Preliminary Draft Community Infrastructure Charging Schedule (January 2017) and the Draft CIL Regulation 123 List (January 2017) and supporting evidence. We confirm that we wish to attend the Examination in Public to present our evidence to the Inspector.

The Old Kent Road Opportunity Area is one of Southwark's and London's key regeneration areas for the future and will deliver tens of thousands of new homes, jobs, community and shopping facilities, infrastructure and open spaces. Berkeley Homes is committed to working with the Council and local people to contribute to this objective through the regeneration of under used industrial land on its site at Malt Street along the Old Kent Road.

These latest representations on the Draft CIL Charging Schedule, Draft CIL Regulation 123 List and the background evidence which supports them reflects Berkeley Homes' desire to work with the Council to deliver a successful approach on this site. Regeneration can only be delivered by a working partnership of public and private investment into the area and this has to be predicated on development being both viable and attractive to developers and investors. If developers such as Berkeley Homes are over burdened with financial obligations related to the delivery of future infrastructure requirements, then developing key sites becomes unviable and delivery stalls.

We previously submitted representations to the Council on 16 March 2016 in respect of the initial Viability Assessment and CIL Charging Review which preceded the issue of the Draft Revised SPD and the issue of the Draft Old Kent Road Area Action Plan (OKR AAP). This was followed up on 4 November 2016 with representations on the preliminary Draft CIL Charging Schedule and Preliminary CIL Regulation 123 List. We append both the March and November 2016 representations by way of reference.

By way of a reminder, our comments were as follows:

1. Previous concerns regarding overestimated sales values, gross to net efficiency, contingency figures and build costs had not been fully responded to;
2. Build cost: There are unresolved issues concerning the data provided and the model BNPP

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is using. Furthermore there is no criteria/measure or analysis of how abnormal costs, risks, site constraints and externals works are assessed;

3. That the viability testing undertaken had identified that on certain sites the impact of the proposed CIL Charging Schedule (and BLE Section 106 Contributions) would mean the quantum of affordable housing being delivered will be reduced by 5% but we consider that this impact will be far greater;
4. A concern over the funding of the Bakerloo Line Stations through S106 and not as part of the Regulation 123 List which would focus on the tunnels. Also a concern over the pooling of S106 contributions prior to CIL coming into force; and,
5. A concern regarding 'double dipping' for infrastructure requirements across the Old Kent Road. Developers will be providing facilities on site as part of their scheme but may be requested to provide S106 contributions towards other facilities in the area.

The above concerns remain entirely pertinent and if unresolved, will result in a CIL Charging Schedule that could ultimately derail the objectives of the Council for the Opportunity Area.

In addition to the previous representations made we set out below additional comments on the latest material published. This submission provides further commentary on previous submissions and highlights our concerns that the Council has to carefully consider the objectives of the Old Kent Road and balance competing planning and regeneration requirements. The delivery of important infrastructure such as the Bakerloo Line is essential to the regeneration of the area and this has to be part funded by new development. However there are other planning objectives which have a significant impact on viability of schemes and in our view a holistic approach to viability which assesses the impact of these on the delivery of schemes has to be part of the CIL charging Schedule review. The CIL Charging Schedule must be assessed in parallel with the emerging OKR AAP and the planning policies regarding affordable housing provision. The Council's own Viability Assessment recognises this by stating that density and housing mix have to be viewed against the wider issues on viability.

1. Consultation Plan December 2016 – Response to Berkeley Homes Representation

The Council responded through the Consultation Plan to a number of the comments raised by Berkeley Homes in November 2016. The responses received to date have not addressed many of the significant concerns raised by Berkeley Homes within the initial response on Viability in March 2016 and the subsequent First CIL Charging Schedule response in November 2016. There are still major concerns on sales values and as noted in the responses below the Council continues to promote over optimistic upper end values (although there is sensitivity testing). In addition there are further concerns relating to build costs which remain unanswered.

We provide a further response to the Council's comments in Appendix 1. .

2. Background Paper – CIL and S106 (January 2017)

The Background Paper explains how the Draft CIL Charging Schedule was formalised and the general principles and methods used to arrive at the amended CIL Charging Schedule. We set out below our detailed comments on the Background Paper. This has been set out in the order that it is presented in the document.

Consultation on the Draft CIL Charging Schedule and Regulation 123 List

Appraisal Inputs

Para. no	Matter	BH Response
3.1.7	Developers Profit set at 18%	Strongly Disagree. The Mayor of London's recent Draft Viability SPG highlights the need to take into account risk and site considerations when coming to assumptions on developer's profit. A developer's profit of 18% development may be appropriate in established areas of the borough where values are higher and risk lower however the Old Kent Road is an emerging regeneration area and schemes such as Berkeley Homes proposals at Malt Street are coming forward in a context of existing industrial and existing infrastructure. Investment in these areas represents a very significant risk and this would need to be reflected in a higher developer profit. As a minimum the figure should be 20% on market revenue and 6% on affordable housing costs but in reality would need to be higher. The reference in the BNP Paribas Viability Study to developers accepting lower profit levels (and the DVS Letter) relates to a stable historic position pre-Brexit and does not reflect the risks associated with developing in a regeneration area. As noted in the NPPF (Para 173) the costs of affordable housing and infrastructure contributions have to be allow competitive returns to enable development to be viable. The Council must use as a minimum 20% as developer's profit as this reflects the guidance in the Mayor's emerging SPG on managing risk. On this basis the valuations in BNP Paribas's Viability Study should be re-run to reflect a developer's profit of 20%.

Sampling of Development Sites

The BNP Paribas Viability Study sets out sensitivity testing across a range of sites within the Old Kent Road both notional and real examples. For the purposes of this response we have focussed on the evidence related to the following sites:

Notional Development Scheme

No	Address	Proposed uses and Height	Site area ha
Scheme 6	Notional	300 Homes and 3000sqm of employment space 7 to 13 storeys	1.1
Scheme 7	Notional	450 homes, 1000sqm of retail, 5000sqm of employment space 14-35 storeys	1.2

Real Development Schemes

No	Address	Proposed uses and Height	Site area ha
Large Site 2	Blocks 24, 25 and 26 Cantium Retail Park	Housing, business, leisure, retail Up to 24 storeys	1.92
Large Site 3	Blocks 60 and 26 Asda	Housing, business, leisure, retail 7-13 storeys	1.89

These sites are chosen because they are broadly similar in size and development uses to Berkeley Homes' proposals for land at Malt Street. In the case of Large Schemes 2 and 3 they are also directly adjacent to Malt Street along the Old Kent Road.

Appraisal Outputs

Paragraph 3.1.4 to 3.1.21 set out the Council's response to the Viability Assessment.

Para. no	Matter	BH Response
3.1.14	Unviable Schemes	The Council is seeking to underplay the impact the proposed CIL charge (allied with the imposition of 35% affordable housing) will have on the viability of future schemes.
3.1.16	Unviable Schemes	The Council continues to underplay the figures as set out in BNP Paribas Viability Study. For the four sample sites noted above in most of the scenarios tested by BNP Paribas the schemes are unviable often with £0 CIL and 0% affordable housing. Further reference to this is noted in the section below on the Viability Assessment. In particular Benchmark Land Values and Sales Values have to be optimistic to support the Council's case. BNP Paribas Viability Study demonstrates that a significant number of the schemes (as set out in the Viability Assessment Appendices) are currently displaying negative viability even where no CIL is applied. However the inference that schemes which are not viable (without CIL being levied) would not come forward until market conditions have improved is too simplistic. Developers take into consideration a range of parameters in assessing when to bring schemes forward for development. This includes the provision of on-site affordable which, as demonstrated in the Viability Assessment, has a major factor on viability. It also includes phasing of tenures and future work streams. The imposition of 3% of additional cost to a scheme therefore can be significant when decisions on viability are finely balanced and a developer is considering risk and profit. Table 6.10.1 of the BNP Paribas Viability Study highlights the impact of CIL on the 'real' sites. In the position where a scheme provides 35% affordable housing the difference between current and future CIL is an additional £8 million cost to Large Site 3 and an additional £9 million to Large Site 2. On both of these examples the viability is low. Even when 0% affordable housing is sought the viability of Large Site 2 changes from negative £7 million to negative £18 million as the CIL charge increases; making a unviable scheme even less viable. As noted previously Malt Street is broadly similar in terms of size and development uses to the sample sites and Berkeley Homes' individual assessment of viability has highlighted that the Council's proposed CIL rate for residential of £218/sqm will, in association with other requirements such as 35% affordable housing, the provision of open space and requirements for employment space, have a significant adverse effect on the viability of the delivery of the scheme. Conversely support for greater density would unlock some of the broad objectives of the area. This is of real concern as the BNP Paribas Viability Study underplays the impact of key

		parameters on the decision making process that developers will need to undertake before deciding to proceed with a scheme or not. We consider that the Council has to look holistically at CIL in association with key planning considerations and seek to balance the increases in the CIL Charging Schedule with planning requirements such as 35% affordable housing and 20% three bed units. The Council has to come to a view on what are the most important requirements in the Old Kent Road, and whether other changes such as allowing much greater density of development will allow them to achieve much of what is needed and still provides viable schemes. It cannot do this in isolation just looking at the CIL Charging Schedule. It has to be a comprehensive review in association with the OKR AAP.
3.1.17	Effect of Bakerloo Line	We agree that emergence of other developments in the Old Kent Road and the arrival of the Bakerloo Line will drive values up however the current delivery date for the Bakerloo Line is 2028 and the imposition of a CIL charge which is too high will significantly limit the delivery of new schemes in current market conditions. If too many developers defer their schemes for future improvement then the momentum of developing this important Opportunity Area will be lost.
3.1.18	Affordable Housing Provision	We would strongly challenge the assertion that the Council's target of 35% affordable housing remains a reasonable requirement within the Old Kent Road. Table 6.7.1 of the BNP Paribas Viability Study notes that on notional sites 6 and 7 viability for any provision of affordable housing only occurs where sales values and BLV are optimistic. In all other scenarios viability is low even with limited (or no) affordable housing. Similarly for Large Sites 2 and 3 Table 6.10.1 notes that the schemes are only viable or close to viability where 0% affordable housing is tested. As noted in the section on viability, Table 6.10.1 has an error which highlights viable schemes in both columns showing 0% affordable as being unviable. This significantly downplays the positive difference reducing the provision of affordable housing makes to the viability of a scheme. Affordable housing is the key parameter which affects viability of the schemes in the Old Kent Road. If the Council were to allow greater flexibility in the tenure being provided and the overall percentage provision on site, this would go a significant way to establishing confidence in the delivery of future schemes. Berkeley Homes' valuation assessment of meeting a 'policy compliant' provision on site has highlighted this is not viable and that allied with the proposed significant increase in the CIL charge would mean other development options for Malt Street may have to be pursued. We consider the provision of 35% affordable housing on a site to have the single largest impact on viability across the Old Kent

		Road. However there are other significant factors such as requirements to provide family homes, significant provision of employment space and provision of large areas of open space. We consider that the provision of these planning requirements should be reviewed in association with the draft CIL charging schedule to assess ways of making development viable so the wider regeneration benefits can be met. This may mean a relaxation of current planning standards and a focus on the promotion of higher density of development in order to balance the competing objectives.
3.1.19	OKR CIL Rate change to Zone 2	We would strongly disagree for the reasons set out above that the Council's proposed **330%** CIL increase would not adversely affect the viability of schemes. This rate of CIL reflects a Zone 2 rate where values are achieving £1,500 per sqft. We would agree with the Council and its advisers that CIL is not the principal factor in viability as the Council's own evidence (and Berkeley Homes' viability evidence) clearly demonstrates it is the imposition of 35% affordable housing on schemes. However where a developer is struggling with viability on a scheme the addition of a further 3% of cost can be a breaking point. The evidence in Tables 6.7.1 and 6.10.1 and the appendices of the BNP Paribas Viability Study highlights that CIL will adversely impact on viability and would be a factor in the decision making process of a developer whether to bring forward a scheme. As noted above the introduction of flexibility in the imposition of 35% affordable housing with 70% of this social rented housing has a very significant impact on the viability of large schemes across the Old Kent Road. This has to be acknowledged by the Council and flexibility introduced both in the provision of affordable housing and a CIL charge that supports and incentivises developers to bring forward their schemes in this important regeneration area. The current Southwark Plan (saved policies) identifies that the southern portion of the Old Kent Road comprises wards with very high levels of social rented housing and on this basis the policy for this area is 70/30 split towards intermediate housing. This is also the approach taken in Peckham. We consider the Council should adopt this split in association with a review of whether the increase in CIL Charging Rates to Zone 2 is appropriate. The Council has operated a different approach to affordable tenure in the Elephant and Castle for over ten years and we consider that a similar flexible approach should be given in the Old Kent Road. We consider the Council should review the proposed rates and introduce a rate (or rates) solely for the Old Kent Road which are below Zone 2 rates. There could be differential rates for parts of the Old Kent Road. The regulations allow charging authorities to apply differential rates in a flexible way, to help ensure the viability of development is not put at risk. Differences in rates need to be justified by reference to the economic viability of development. Differential rates may be appropriate in relation to; - geographical zones within the charging authority's boundary; - types of development; and/or - scale of development.

		We would wish to review this in greater depth to assess the opportunity for setting differential rates in the Old Kent Road.
3.1.20	Infrastructure	We would strongly agree with the Council regarding the importance of proper funding of infrastructure across the Old Kent Road. The delivery of the Bakerloo Line Extension as the base to support the growth of the area is essential. This funding will come from a variety of sources which includes CIL and we would agree that developers have to contribute towards the delivery of this infrastructure. The concern with the CIL rates proposed and the evidence which support this is that they highlight that other aspects of Council policy will have to be modified in association with CIL to deliver viable development. The objectives of the Opportunity Area as set out in the OKR AAP in delivering 20,000 new homes, 5,000 new jobs, community facilities and high quality open spaces have to be balanced against the Council's own policies. As set out in Paragraph 173 of the NPPF, the sites and scale of development as set out in the Plan (In this case OKR AAP) should not be subjected to such a scale of obligations and policy burdens that their ability to be developed is threatened. The proposed scheme for Malt Street delivers over 50% publicly accessible open space and this benefit has to be weighed with the overall viability of delivering new homes, jobs etc. The provision of large areas of open space which are a result of the Council's Placemaking Study and LDS process has significant viability impacts. It removes large areas of site available for development thus reducing the opportunity to maximise ground coverage and requiring those areas for development to be developed at much higher densities. This creates design challenges and means that taller denser structures need to be delivered. These are more expensive to construct. The NPPF notes that the costs of affordable housing and infrastructure contributions have to allow competitive returns to enable development to be viable. Paragraph 175 of the NPPF states that the CIL should support and incentivise new development. A number of sources of funding for the key infrastructure in the Old Kent Road will be required, most importantly for the Bakerloo Line Extension. This funding will come from central Government, TfL and Southwark. To support applications for this funding a strong business case needs to be made. Such a case has to demonstrate that the regeneration will be underpinned from investment from the private sector and development industry. Developers will contribute towards this infrastructure but if the burden is too high then development will not come forward and there is a concern that the strong business case for the regeneration is harmed by reluctance from the development industry to shoulder too much of the cost whilst still meeting broad planning policy requirements.

3. OKR Opportunity Area Viability Study (April 2016)

The Viability Study was prepared by BNP Paribas for the Council and the findings of the Study are summarised in the Background Paper noted above. Our separate comments on the Viability Study are set out below.

Para. no	Matter	BH Response
4.3-4.13	Sales Values	As noted in earlier representations by Berkeley Homes in March 2016 and November 2016 the sales values used by the Council have been generally too optimistic. In March 2016 it was noted sales values in the area were below £700/sqft (£7,534/sqm). The market has moved forward over the past year however the impact of Brexit has yet to be fully understood and there are already reports from lenders highlighting falling house prices in the first quarter 2017. An assessment of recent prices for Bermondsey Works and The Bath House which are the two most comparable schemes in the Old Kent Road have highlighted sales values between £600 to £730/sqft. We therefore agree with the wording in Paragraph 4.12 that figures of £650-£725/sqft are a reasonable range for sales values in the Old Kent Road. However, there is no justification for a 25% increase in sales values to £850-£900/sqft in the southern area of the Opportunity Area. The report provides no justification for these figures and our assessment of the figures from Bermondsey Works and Bath House shows that there was not a significant increase in value between March 2016 and February 2017. Furthermore, the expectation that the values will rise in the short term to £1,050 to £1,150/sqft (an increase of 58% of current values) is highly unrealistic and does not reflect current market commentary. Savills Residential Research in its market assessment in November 2016 (Appendix 2) forecast a 5 year increase for London of only 11%, with the potential for zero or even negative growth in the housing market between 2016 and 2018. The sensitivity testing undertaken in the Appendices should therefore focus on the realistic values of £650 to £725/sqft.
4.22	Build Costs	Summary (Large Sites) Large Site 1: General – It has been noted allowances for remedial works, removal of ground contamination and asbestos have been excluded. It is also unclear whether an allowance for removal of any ground obstructions has been made. Based on the current allowance of £170m², this should be reviewed as this rate could be deficient and not reflective of existing site conditions. Residential – The current allowance of £2,700m² should be split to show the net cost before applying Main Contractor Preliminaries, Overhead and Profit and inclusions for design

		risk or contingency. It is currently unclear as to the net residential build cost allowance included Basement – It is currently unclear as to the net basement build cost allowance included. Upon review the total net build cost could therefore be deficient. Commercial – The current build cost allowance of £1,750 m² is in our opinion deficient as we assume this is complete to a CAT A specification. It is currently unclear as to what the net build cost allowance is the rate would seem to reflect a total composite rate as with the other components mentioned above. Hotel, Retail & Clinic – The costs should be split into net build costs before Main Contractors on costs have been applied. The on costs should also be transparent as to show the level of %'s for Preliminaries and Overheads and Profit. It should also be explicit if design risk and contingency allowances have been included. We are also unclear whether the Clinic will be complete to a CAT A standard, which would indicate the current build cost is deficient. External Works and Infrastructure – This is based on 15% of the total site build cost. There is no set % to be applied for these works and we would require further clarification as to how this % has been derived. If the cost of this component is changed to a £ m² rate, then this equates to £385 m², which could be deficient given this may only cover the soft and hard landscaping elements + Main contractor on costs. Upon review of the costs included for Large Sites 2 – 5 and Small Site 1 - 5, our comments are still applicable to all sites with the exception of the following differences; Large Site 2: Residential – The build cost rate used differs from Large Site 1 and has been reduced by £100 m². There should be no difference in the £ m² rate due to a reduction of 6 storeys for site 2. We believe this cost has been incorrectly applied and should be reviewed to reflect site 1 at the very minimum. Basement – As per the residential we do not agree the build cost rate should be lowered to the extent of reducing the build cost by £200 m² reflect a larger basement. The basement cost over the increased GIA would still similar to the rate included in site 1. If the basement was sufficiently smaller or consisted of a double basement we would agree in adjusting these build cost rates accordingly. This cost should be reviewed. Large Site 3: Residential – As per Large Site 2, the build cost rate has been reduced and should be reflective of the rate applied for Large Site 1 as a minimum. Basement – As per Large Site 2, the build cost rate has been reduced and should be reflective of the rate applied for Large Site 1.

		Large Site 4: Residential – As per Large Site 2, the build cost rate has been reduced and should be reflective of the rate applied for Large Site 1 as a minimum. Basement – As per Large Site 2, the build cost rate has been reduced and should be reflective of the rate applied for Large Site 1. Large Site 5: Residential – As per Large Site 2, the build cost rate has been reduced and should be reflective of the rate applied for Large Site 1 as a minimum. Basement – As per Large Site 2, the build cost rate has been reduced and should be reflective of the rate applied for Large Site 1. Small Sites 1 – 5 Residential – As per Large sites 1 - 5, the build cost rate has been reduced and should be reflective of the rate applied for Large Site 1 as a minimum. External Works and Infrastructure – This is based on 14 - 17% of the total site build cost. There is no set % to be applied for these works and we would require further clarification as to how this %'s have been derived. If the cost of this component is changed to a £ m² rate, where 14% has been applied for instance this equates to £317 m² for Site 3. In line with our comments above we believe this could be deficient given this may only cover the soft and hard landscaping elements + Main contractor on costs, with any works for infrastructure (diversions, connections etc.) not adequately captured.
4.22	Table 4.22.1 Net to gross efficiency	The Gross to net %'s applies within table 4.22.1 require further clarification. It is not clear whether this metric represents the total NIA applied over the total GIA or if this just represents the residential component of the schemes. If the latter, then we would state 75% area efficiency is low and should be at least 80% if designed appropriately.
4.23-32	Costs	We would expect to see key assumptions listed on which the build costs are based upon.
4.33-4.39	Developers Profit	As noted in the response on 3.1.7 of the Background Paper, this is set at 20% in the Council's Development Viability SPD adopted in March 2016 and the Mayor of London's recent Draft Viability SPG highlights the need to take into account risk and site considerations when coming to assumptions on developer's profit. The developer's profit of 20% set out in the Council's SPD applies borough wide including established areas of the borough where values are higher and risk lower. Furthermore the reference in the BNP Paribas Viability Study to developers accepting lower profit levels (and the DVS Letter) relates to a stable historic position pre-Brexit and does not reflect the risks associated with developing in an emerging regeneration area with low sales values.

		The Council must use 20% as developer's profit as this reflects the Council's own SPD and the guidance in the Mayor's emerging SPG on managing risk. On this basis the valuations in the BNP Paribas Viability Study should be re-run to reflect this.
4.36	DVS Letter	As noted above the DVS letter is dated 2014 and reflects a historic position this body took in negotiating viability appraisals. The recent adoption of Southwark's Development Viability SPD which is borough wide and includes higher values areas where there are lower risks includes a 20% target for developer profit. The guidance in the SPD was itself based on viability testing across the borough and there is no basis or justification provided in the OKR Viability Assessment for moving from this figure.
4.46-4.48	Benchmark Land Values	The proposed sample Benchmark Land Values (BLV) as set out in Table 4.48.1 reflect unrealistically low values related to land in the Old Kent Road. The principle of EUV is understood and it is accepted that this value relates to the current or existing uses on the land and not a 'market value' if land were sold. It is also understood that the Council accepts a premium of 20% be added to EUV to reflect the higher price that an owner may seek in order to sell land. However at present the price of land in the Old Kent Road Opportunity Area bears little relation to EUV or even an EUV+ but instead reflects the future opportunity for major redevelopment in the area and the aspirations of owners of land in the area to secure best price. The Benchmark Land Value has to reflect Market Value as Current Use Values represent historic land values as Industrial Land. This approach would be consistent with the PPG which states at ID: 10-015-20140306 and 10-024-20140306: *"A competitive return for the land owner is the price at which a reasonable land owner would be willing to sell their land for the development. The price will need to provide an incentive for the land owner to sell in comparison with the other options available. Those options may include the current use value of the land or its value for a realistic alternative use that complies with planning policy."* Our concern regarding the BLV is amplified by recent transactions in the area. We have assessed recent transactions in the area and equated these to £/ha as noted in Table 4.48.1. Only one of these transactions related to a price paid around the upper mid value range of £17 million with 6 others all above or around the highest value range. The lower mid-range value of £13 million and lower range value of £4.5 million are in our view therefore unrealistic and little weight can be given to the these in the BNP Paribas Viability Study Appendices. The Council's assessment for the Real Sites 2 and 3 highlights an average value of £27.5 million/ha for BLV.

		We consider for the purposes of testing a robust set of viability figures that the Highest value and Upper Mid Value Range form the appropriate BLV's to undertake sensitivity testing and the lower values are unrealistic as land value is too low.
Appraisal Outputs		
Table 6.7.1	Notional Schemes 6 and 7	As noted previously testing the scheme with a sales value of £900/sqft is not realistic based on present market conditions and reflect s 25% increase on current sales values.
Table 6.7.1	Notional Schemes 6 and 7	Based on the most optimistic Sales Values of £900/sqft and a BLV of £4.6 million/ha Notional Scheme 6 is viable and can deliver 35% affordable housing however Scheme 7 is not viable at 35% and only becomes viable at 20% affordable. It is apparent reviewing the data that the additional CIL charge (from £54 to £218) would have a significant impact at the threshold where schemes had challenging viability (moving to red from green). It is here that the imposition of a significant CIL charge will either mean that developers mothball a scheme or deliver a lower provision of affordable housing. Given the need to deliver the wide ranging infrastructure across the Old Kent Road this may represent the optimum option for delivery of homes across the Opportunity Area.
Table 6.7.1	Notional Schemes 6 and 7 Lower Sales Values	Sales Values of £725/sqft and £650/sqft represent realistic sales values for the area and are likely to remain relevant for a couple of years given the stagnant housing market. At £725/sqft there is almost no situation where schemes are viable even at 0% affordable. Only on Notional Scheme 6 with a BLV at its lowest value does the scheme justify any on-site affordable provision (between 15 and 20%). For the more realistic scenario of BLV 1 or 2 and a sales value of £725/sqft the notional schemes are not viable other than a token provision. There is a similar position for the sensitivity testing on sales value of £650/sqft which has even lower viability than £725/sqft.
6.10	Specific Sites 2 and 3	Table 6.10.1 demonstrates that on major schemes such as Malt Street and the two sample sites chosen to reflect a real life approach to viability, that the principal determining factor in the viability of a scheme is the provision of affordable housing. We do not disagree with the Council's assertion that CIL is not the biggest factor in viability of schemes however we consider it has to be viewed together with key policy considerations such as affordable housing. We consider the Council should carefully review the findings of its own report and assess how it can deliver viable schemes if viability is poor but matters such as on site affordable is still sought. Table 6.10.1 demonstrates that other than at 0% affordable housing, large schemes such as Malt Street will be unviable.

4. Draft CIL Charging Schedule and Draft Revised Regulation 123 List (January 2017)

Para. no	Matter	BH Response
CIL Charging Schedule	Residential Development type Zone 2 CIL Charge £218	For the reasons above we disagree with this figure and consider further detailed justification on this allied with the issue of on-site affordable housing needs to be prepared by the Council. Berkeley Homes would be willing to provide further viability evidence to support a review of the viability of major schemes across the Old Kent Road and the implications on the future regeneration scheme.
Regulation 123 List	Bakerloo Line Extension	Further clarity is sought on the position relating to the stations and their funding.

Summary

Berkeley Homes is committed to working with the Council and local people to deliver an exemplary mixed use project at Malt Street. Given the need to kick start development in the Old Kent Road is it vital that schemes such as Malt Street do come forward early and we consider that the Council will need to reconsider its approach to the provision of CIL/S106 and affordable housing across the Old Kent Road to deliver its target of 20,000 new homes. Developer investment within the Borough should be welcomed and the Council should do everything in its powers to provide the best platform to encourage this investment. If development is shown to be unviable then developers will inevitably look to other Boroughs in the short-to-medium term.

Berkeley Homes' scheme will be one of the first and certainly the largest project in the first phase of development in the area. As supported by NPPF paragraph 173 it is imperative that the regeneration objectives set out in the Old Kent Road Area Action Plan are strived for and the infrastructure projects identified in the Draft Revised SPD are delivered to achieve a successful regeneration of the area.

The Council has demonstrated through its own evidence that there is a viability crisis at the heart of the major schemes in the Old Kent Road. The Viability Assessment demonstrates that even at optimistic sales values a number of large schemes are not viable. If the objectives of the Opportunity Area are to be met we consider that the Council has to look holistically at CIL in association with key planning considerations and seek to balance the increases in the CIL Charging Schedule with planning requirements such as 35% affordable housing and 20% three bed units. The Council has to come to a view on what are the most important requirements in the Old Kent Road, and whether other changes such as allowing much greater density of development will allow them to achieve much of what is needed and still provides viable schemes.

It cannot do this in isolation just looking at the CIL Charging Schedule. It has to be a comprehensive review in association with the OKR AAP.

The current Southwark Plan (saved policies) identifies that the southern portion of the Old Kent Road is in wards with very high social rented housing and on this basis the policy for this area is 70/30 split towards intermediate housing. This is also the approach in Peckham and the Elephant and Castle where the Council has accepted that in order to deliver regeneration there has to be a bespoke approach which incentivises investment.

We consider the Council should review the proposed rates and introduce a rate (or rates) solely for the Old Kent Road which are below Zone 2 rates. There could be differential rates for parts of the Old Kent Road. The regulations allow charging authorities to apply differential rates in a flexible way, to help ensure the viability of development is not put at risk. Differences in rates need to be justified by reference to the economic viability of development.

We would seek an early meeting with officers to review the evidence produced here and the supporting evidence that is being relied upon to support the CIL Charging Schedule.

We confirm that we wish to attend the Examination in Public for the CIL Charging Schedule later this year to present to the Inspector our evidence on the matters noted above.

Consultation on the Draft CIL Charging Schedule and Regulation 123 List

Appendix 1 – Consultation Plan

Response No.	Berkeley Homes Representation November 2016	LB Southwark Response December 2016	Berkeley Homes February 2017 Representation
1	Key sites may stall on viability grounds through the requirements of CIL and S106 paying for the Bakerloo Line Extension and the delivery of affordable housing and other infrastructure. The Council must therefore take a pragmatic approach to the viability of developments if a comprehensive approach is to be taken to the plan area.	The adopted Development Viability SPD is clear that where viability is a relevant consideration in respect of achieving planning policy compliance, applicants should submit a financial viability appraisal. The process and information requirements are clearly set out in the SPD. Where justified by rigorous viability assessment, formulated in accordance with the SPD, a flexible approach to the application of the Council's affordable housing targets will ensure the viability of developments is not adversely affected over the economic cycle whilst still delivering the maximum quantum of viable affordable housing.	The Council's own Viability Assessment evidence demonstrates that in most scenarios which were tested schemes were unviable at differing levels. The evidence highlights that a major factor in this viability crisis is the provision of affordable housing. We consider it essential that a comprehensive review of the impact of delivering a borough wide target of 35% affordable housing (as well as other planning standards such as the provision of family housing and open space) in the Old Kent Road and whether a balanced position can be found which delivers a bespoke CIL rate for the Old Kent Road to support the new infrastructure required for the area and allows flexibility in planning standards to deliver viable schemes. This should be done in association with changes to the AAP and cannot be achieved in isolation. Nor can it be left to individual viability assessments on projects as this provides no clarity of direction to support wider regeneration goals.
2	Berkley query how the benchmark data for residential and mixed used development build costs developed used in the viability study was derived.	Further details of the method used to derive the benchmark build costs have been provided by WT Partnership and included in Appendix D. The council believes the existing viability analysis meets the requirement to use "appropriate available evidence" to inform a draft charging schedule (NPPG).	As highlighted in the main response the validity of the data and allowances used by the Council's consultant raises significant concerns and there are continuing question marks over the accuracy of the cost figures presented. By using benchmark data the accuracy and validity of the data used and the findings of the Assessment is further called into question. The Build costs have all based upon £sqm rates but it is unclear as to what these rates include or exclude. The net build cost for each use should be clearly identified with all other cost items clearly scheduled as referenced within Section

			4.22.
3	They believe the impact of CIL on affordable housing delivery will be far greater than the 5% indicated in the Cabinet Report.	Noted	This is clearly not 5% as the viability Assessment prepared by BNP Paribas demonstrate significant issues with CIL being a major factor where schemes have marginal viability.
4	They recommend the Council undertakes further viability testing of the parameters used in the original assessment following the Referendum Vote in late June. They further request that another firm of surveyors be instructed to test the Preliminary Draft Charging Schedule and Draft Section 106 contributions.	Noted. The council believes the existing viability analysis meets the requirement to use "appropriate available evidence" to inform a draft charging schedule (NPPG).	As noted above we consider the Council should take a step back and review the CIL in relation to the application of Planning policy requirements and standards in the Old Kent Road and see if a bespoke approach to CIL, affordable housing, unit mix, employment provision and density can ensure deliver of the widest possible benefits to support the regeneration.
5	There is a risk that 'double dipping' will occur as it is not clear from the Draft Revised SPD what consideration is given to the direct provision in schemes of infrastructure and what requirements will form additional pooled contributions through Section 106 or potentially future CIL infrastructure contributions.	We are amending our Regulation 123 List to make clear which infrastructure will not be funded by s106 and we will ensure robust monitoring measures are in place to avoid any 'double dipping' in practice. The wording of the SPD has been clarified to make it clear that s106 will be used to fund work on the two stations prior to the adoption of CIL; and that on adoption of CIL, a revised regulation 123 list will be adopted making it clear that further work to the stations will be funded through CIL rather than s106. Where infrastructure is provided on a particular site as part of a development, such as open space, clearly it would be unreasonable to seek to secure s106 funding for that same item of infrastructure. Schools (not including land) are on the Regulation 123 List so we would not be able to accept school building via s106. No developers are currently offering to provide a school as part of a development and the initial focus will be on expanding existing schools. The Regulation 123 List will be kept under review.	Noted.

Old Kent Road Land Values

Address	Size (Acres)	Size (Sqm)	Land Cost	Completion Date	£/acre	£/ha	Zone
10-12 Verney Road	1.2	0.49	£ 8,400,000	9/7/2015	£ 7,000,000	£ 17,292,490	3
LOBO Meat Factory	0.5	0.20	£ 5,000,000	10/6/2015	£ 10,000,000	£ 24,703,557	3
The Bath House, 525-539 OKR	0.41	0.16	£ 4,000,000	6/6/2014	£ 9,852,217	£ 24,338,480	3
462 Old Kent Road	0.05	0.02	£ 800,000	9/7/2015	£ 17,391,304	£ 42,962,708	3
631 Old Kent Road	0.09	0.04	£ 850,000	1/5/2016	£ 9,444,444	£ 23,331,137	3
The Civic Centre, 600-608 OKR, SE15 1JB	0.27	0.11	£ 8,000,000	12/24/2015	£ 29,629,630	£ 73,195,725	3
St James Road Petrol Stn	0.395	0.16	£ 5,000,000		£ 12,658,228	£ 31,270,326	3
Totals	**2.907**	**1**	**£ 32,050,000**		**£ 11,025,112**	**£ 27,235,948**	

Source: Land Registry

Savills Report – Residential Property Focus 2016 Q4

DAVIESMURCH

DEVELOPMENT | STRATEGY | PLANNING

By Email 8th March 2017

Dear Sir or Madam,

LB Southwark Community Infrastructure Levy – Draft Revised Charging Schedule, January 2017

Representations on behalf of Aitch Group

Thank you for allowing us the opportunity to comment on the above document. These representations are made on behalf of Aitch Group and their land holdings within the Old Kent Road Opportunity Area. At this stage we have not specialist advice from a viability consultant, which may be necessary depending upon the contents of the submission version ahead of independent examination scheduled for later this year.

As a starting position Aitch Group very much welcome the Council's aspirations for transforming the Old Kent Road area and have made significant land investment in the belief that it can the next successful regeneration area in London. Furthermore, having reviewed the infrastructure projects identified on page three of the Draft Addendum to the Section 106 Planning Obligations and Community Infrastructure Levy (CIL) Supplementary Planning Document (June 2016), we consider them to be vital to the success of the area.

We therefore do not dispute the amount of money that needs to be raised through CIL.

However, what is critical is ensuring the Council has a balance in making sure its various priorities are properly balanced to enable the delivery of development in its entirety.

We have read with interest the Old Kent Road Viability Study 2016 prepared by BNP Paribas which forms part of the evidence base. We would particularly like to draw the Council's attention to the comments made in paragraph 3.6, which state:

"Clearly, however, landowners have expectations of the value of their land which often exceed the value of the current use. S106 including affordable housing and CIL will be a cost to the scheme and will impact on the residual land value. Ultimately, if landowners' expectations are not met, they will not voluntarily sell their land and (unless a Local Authority is prepared to use its compulsory purchase powers) some may simply hold on to their sites, in the hope that policy may change at some future point with reduced requirements. It is within the scope of those expectations that developers have to formulate their offers for sites. The task of formulating an offer for a site is complicated further still during buoyant land markets, where developers have to compete with other developers to secure a site, often speculating on increases in value."

The above paragraph is a good summary of the issues facing developers and that in agreeing to purchase land they are taking significant risk that it will ultimately result in the grant of planning permission for a viable scheme, taking account of the various policy burdens/ costs.

The key component for the success of the Old Kent Road regeneration is the existing land owners making their sites available development. The Council have already commented upon the fragmented nature of land ownership within the draft Old Kent Road AAP and that they want to see comprehensive, rather than piecemeal regeneration.

This does rather hand the power to individual land owners who could decide to sit on a key piece of land, which doesn't necessarily need to be large but could be of strategic significance to surrounding land parcels coming forward for development.

It is widely understood that land assembly can be a difficult process and the price paid for obtaining land will vary depending upon the individual situation of the owner. This may result in higher sums of money being paid to release land for development that don't necessarily relate to recognised planning viability benchmark land values, particularly existing use value.

BNPP acknowledge, for example, that the delivery of 35% affordable housing on some sites, along with other policy requirements will be challenging.

It is therefore essential that the Council take a flexible approach if they are seeking to adopt the proposed CIL charging schedule which will become a fixed cost. It is the other elements that will have to flex to compensate if there are viability issues, which include, scheme density, affordable housing provision, tenure mix, unit mix, sustainability requirements etc.

This is entirely consistent with the conclusions and recommendations of BNPP, which say at 7.3:

"In order to ensure the delivery of the required growth identified for the OKR OA, particularly on sites with high existing use values and in lower value parts of the OA, the Council need to apply their policies flexibly [our emphasis]. *In this regard we consider the Council's flexible approach to the application of their emerging NSP and OKR OA AAP policies identified as having cost implications (i.e. subject to viability) will ensure both development viability and the delivery of the maximum quantum of affordable housing."*

My client will be carrying out their own viability analysis on the sites within their control over the coming months in parallel with pre-application discussions that are taking place. It is likely that as part of this process issues will arise and we will wish to add to these representations ahead of the examination in public.

Please keep us informed of progress and should you wish to discuss please do not hesitate to contact me.

Yours sincerely,

[redacted]

Jon Murch

DaviesMurch

Planning Consultants

DP3027

13 March 2017

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Planning Policy
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Dear Douglas

REVISED CIL CHARGING SCHEDULE – REPRESENTATIONS BY BRITISH LAND

I write on behalf of British Land in relation to the above consultation on your Revised CIL Charging Schedule.

I note that the purpose of the revision is to ensure that the Council can secure sufficient funding for infrastructure to support growth in the Old Kent Road Opportunity Area. The revisions also increase existing CIL rates in line with the All-in-Tender Price Index (as provided for in the CIL Regulations).

Given the nature of this consultation, I do not revisit the points raised by British Land during the previous examination in public in relation to strategic sites and their infrastructure requirements and resultant scheme viability, although those points still stand.

These representations focus on the Draft Revised CIL Regulation 123 List and the associated Infrastructure Plan (December 2016).

As you will be aware, British Land is currently engaged in detailed pre-application discussions with the Council regarding their development proposals at Canada Water and intend to submit a hybrid planning application in late 2017. As part of these discussions, the infrastructure requirements for the area are being discussed with the Council, Greater London Authority and Transport for London with the following potential improvements being identified to address existing problems:

- Improvements to Canada Water Station;
- Improvements to Surrey Quays Station;
- Improvements to Lower Road, including improvements to the junctions at Surrey Quays Station and Rotherhithe Tunnel and roundabout, road layout, pedestrian access and public realm improvements; and
- Strategic bus and cycle improvements.

These works are existing infrastructure requirements and cannot be funded through S106 planning obligations. They should therefore be specified on the Council's Regulations 123 List.

Should you require any further information, please contact me. In the meantime, please keep me informed of progress on the Revised CIL Charging Schedule and Regulation 123 list.

Yours sincerely

[redacted]

HUGH SOWERBY
Director

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13 March 2017

Freepost SE1919/14
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Dear Douglas

LONDON BOROUGH OF SOUTHWARK - DRAFT COMMUNITY INFRASTRUCTURE LEVY CHARGING SCHEDULE (JANUARY 2017)

REPRESENTATIONS OF OKR REGENRATION IN RELATION TO RUBY TRIANGLE REGENNERATION, SANDGATE STREET – OLD KENT ROAD, SE16

These representations on the draft Community Infrastructure Levy Charging Schedule ('DCS') are made by OKR Regeneration ('the Landowner'). The landowner is making representations regarding the Ruby Triangle and Sandgate Street ('the Site') located within the Old Kent Regeneration Opportunity Area ('OKROA'). The location was incorporated as an Opportunity Area in 2015 through Further Alterations to the London Plan.

The Landowner recognises that the need for appropriate infrastructure provision in the OKROA, and it is this provision in part, that will in turn unlock development value. However, the delivery of the major sites particularly in the Opportunity Areas is constrained by a range of factors, and placing too high a reliance on the funding of infrastructure projects through the capture of CIL, on these challenging sites, without flexibility on planning gain, puts the delivery of the strategic objectives at risk.

The requirement for obligations and CIL, should seek to strike the right balance between meeting the infrastructure gap funding challenge and ensuring that new development remains deliverable in accordance with the National Planning Policy Framework (NPPF).

Background

The London Borough of Southwark is a charging authority ('the Charging Authority') for the purposes of Part 11 of the Planning Act 2008 and may therefore charge the Community Infrastructure Levy in respect of development in the London Borough of Southwark.

The Charging Authority have an adopted Charging Schedule dated March 2015. In summary, the revised DCS proposes an increase of circa 10% in the CIL rates across the Charging Authority area. Following consultation, the DCS will be scrutinised through an Examination in Public ('EiP') in the second half of 2017, and subject to the outcome, the DCS will be adopted shortly after.

In the interim, prior to the DCS being adopted, the council will seek to negotiate section 106 planning obligations in the OKROA to contribute towards transport infrastructure, including two new Bakerloo Line extension stations.

Preparation of the revised DCS has been undertaken in the context of the policies and proposed levels of growth and development set out in the Core Strategy (April 2011), emerging New Southwark Plan and particularly the Draft Old Kent Road Area Action Plan (AAP) and Opportunity Area Planning Framework (June 2016), prepared with the GLA.

Old Kent Road Area Action Plan

The draft Area Action Plan (AAP) illustrates that there is the potential for significant growth of 20,000 new homes and 5,000 additional jobs. The ÀAP will guide growth in the area over the next 20 years.

Revised CIL Charging Schedule Consultation Documents

The consultation comprises several documents. These are:

- Draft Charging Schedule
- Draft Regulation 123 list
- Infrastructure Plan
- Background paper (on revised CIL and interim s106 guidance for Old Kent Road)
- Old Kent Road Viability Study
- Old Kent Road Viability Study appendices
- Consultation Plan
- Equalities Analysis

A summary of each document follows.

Draft Charging Schedule (January 2017)

The DCS is published in accordance with the Community Infrastructure Levy Regulations 2010 (as amended). The DCS presents the new proposed CIL charges on a £ per sq m (GIA) basis for all new chargeable development. The DCS also provides a visual representation of the three CIL zones within the Charging Authority area.

The Charging Authority comprises three zones, broadly a higher value zone one incorporating the Bankside / riverside area to the north of the borough, a lower value zone three located centrally and a mid-value area encompassing the rest of the borough. There have been several changes to the zonal areas incorporated in the new DCS. The Site has subsequently been relocated from zone three to the high value zone two.

It is proposed that developments in the southern part of the OA pay the same rate as those in the north to maximise the funding which can be generated for new infrastructure (while also ensuring that other policies objectives, such as provision of affordable housing, can continue to be met).

Draft Regulation 123 list

The draft Regulation 123 list sets out the headline infrastructure requirements across the borough that CIL will contribute to. The headline items are education, health, libraries, open space, sports, transport and other, the latter including cemeteries, adult care and provision of storm water facilities.

The itemised list for transport includes the Bakerloo line extension and the Council have indicated that the list is being amended to incorporate the station works and that in the interim period, an addendum to the 2015 Planning Obligations SPD has been adopted, so that contributions can be sought from new development.

Infrastructure Plan (2016)

The Infrastructure Plan identifies strategic infrastructure which is needed to support growth and development in the borough over the lifetime of Southwark's Local Plan (2016-2036). The Plan illustrates the costs of bringing forward the infrastructure, identified sources of funding in place and the financial gap needed to meet the commitments.

The Infrastructure Plan identifies a cost of £1.99 billion to fund the items listed above in the Regulation 123 schedule and a funding shortfall of £1.83 billion. Clearly, CIL will play an important role in meeting some of the shortfall but the rate must be one that encourages development as required by the NPPF and the CIL Regulations.

Background Paper

The Background Paper sets out the legislative and regulatory framework for seeking CIL from new development. The Background Paper states that the CIL Regulations and the National Planning Practice Guidance (NPPG) specify that in setting levies charging authorities should strike a balance between the need to fund infrastructure and the potential effects of the imposition of CIL on the economic viability of development across the respective area. The overarching aim of CIL is to enable the delivery of growth.

It is therefore important to avoid placing development at the margins of viability by setting CIL too high. This is a key and fundamental concept of CIL. Whilst it is clearly recognised by landowners that their sites can only come forward in the required infrastructure is in place, requiring obligations and CIL at a level which renders development unviable, is a potential risk and unwanted consequence.

This is particularly relevant in the OA, where residential and commercial values may be lower than elsewhere in the Charging Authority area but the enabling costs of development high.

The Background Paper presents the methodology that has been employed to understand the viability of development in the OKROA. The methodology is consistent with that employed in other CIL studies both in Southwark and elsewhere across the capital.

The Background Paper states that several of the schemes tested within the OKROA were unviable at 0% affordable housing and therefore the imposition of CIL *'In this regard their current unviable status should not be taken as an indication that the Council's requirements (including the proposed CIL rates) cannot be accommodated'*. This issue shall be dealt with underneath the next section heading as an approach which seeks to ignore unviable schemes, cannot be correct. This approach does not meet the tests in the Regulations and the NPPG. Additional costs further reduce viability and the likelihood that these sites can be delivered on reasonable terms.

The methodology also includes flexibility in the application of affordable housing policy, as is required by planning policy. The Background Paper states *'The Council's flexible approach to the application of its affordable housing targets will ensure the viability of developments is not adversely affected over the economic cycle whilst still delivering the maximum quantum of viable affordable housing'*.

As CIL is a non-negotiable tax, flexibility in affordable housing targets will allow schemes to remain viable in certain circumstances. There is however some tension with the application of an increased CIL rate that can only be accommodated by eroding the Council's minimum policy position of 35% affordable housing and the GLA's recently published Affordable Housing and Viability SPG which seeks to increase housing numbers and the overall affordable housing percentage secured through planning gain.

The Background Paper notes an peculiar approach in the viability testing with the imposition of CIL deemed to be insignificant to the viability of projects. The Background Paper states *'Thus the change to CIL does not have a significant influence on making a scheme viable or unviable, or on the level of affordable housing that can be provided'*.

The Landowner would question an approach that seeks to test the viability of schemes by adding additional costs, and then, when in general, the results are negative, the outputs are dismissed as not having a significant influence. The costs of CIL are significant. The results are clearly detrimental to viability and the ability to meet other policy obligations.

The Background Paper notes that the Regulations allow for changes in the CIL charges by area, if this is supported by viability evidence, and therefore the southern part of the OKROA is moved from zone two to zone three. The recommendation for the southern part of the OKROA appears to be contrary to the evidence provided. The Background Paper notes that the 2015 CIL rates are increased in accordance with the CIL Regulations using the BCIS All-In Tender Price Index.

Regulation 11 provides a definition of 'relevant evidence' meaning *'evidence which is readily available and which, in the opinion of the charging authority, has informed its preparation of the draft charging schedule'* and Regulation 14 states:

(1) In setting rates (including differential rates) in a charging schedule, a charging authority must strike an appropriate balance between
(a) 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
(b) the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area.

It is not clear that the evidence presented to inform the draft Charging Schedule is relevant evidence in the context of Regulation 11 and the subsequent need in Regulation 14 to strike an appropriate balance between the potential effects of the imposition of CIL on the economic viability of development across its area.

The Background Paper also provides commentary on the relationship between S106 agreements and CIL. The section details how the CIL regulations encourages the use of CIL to fund infrastructure and that the continued use of pooled S106 agreements is limited.

The Background Paper states that the adoption of CIL in 2015 has not had an adverse effect on the delivery of affordable housing albeit the data appears to relate to completions i.e. the consent of which will have pre-dated the adoption of CIL, so it is not clear that the recent increase in affordable completions can be construed as an indication that CIL has not had an adverse impact on affordable housing. This requires clarification.

The Background Paper notes that the Council will publish an addendum to the 2015 Planning Obligations SPD setting out how S106 contribution will assist in delivering the two new Bakerloo Line stations identified on the Old Kent Road. Developments providing more than 100 homes will contribute £164 per sq m on the GIA to the station delivery. Affordable homes will be exempt from the calculation.

Given the regulatory restrictions on the pooling of s106 agreements, the two stations could be funded by up to 10 contributions from landowners i.e. 5 per station. The interim position will only apply once the CIL Charging Schedule is being consulted upon and once the Schedule is adopted, the interim s106 requirement will be removed.

<u>Old Kent Road Viability Study 2016</u>

The OKROA Viability Study has been prepared by BNP Paribas and is dated April 2016.

The Viability Study notes on page 14 references to the NPPF and NPPG and requirements to ensure that viability in considered in context of the cumulative effect of policy requirements. Paragraph 177 of the NPPF notes that the impact of policy should be 'kept under review'.

Land Value

Section 2.40 of the Viability Study refers to a Local Housing Delivery Group report entitled 'Viability Testing Local Plans', and states that the report '*concluded that the use value of a site (or a credible alternative use value) plus an appropriate uplift, represents a competitive return to a landowner'.*

This approach to land does not deviate from other CIL Viability Studies that have been reviewed by DS2, *however the Viability Study does not mention that the Local Housing Delivery Group report also states on page 29 that a reference to market values can 'still provide a useful 'sense check' on the threshold values that are being used in the model but it is not recommended that these are used as the basis for the input to a model'.* The reason being that '*using a market value approach as the starting point carries the risk of building-in assumptions of current policy costs rather than helping to inform the potential for future policy'.*

Landowner expectations will be formed by the scale of developed proposed within the AAP and on their specific sites and therefore an arbitrary 20% margin applied to an EUV, without reference to evidence, carries with it the significant risk of non-delivery. This is particularly relative in the OKROA where much of the existing land base is in relatively low density and low value industrial use. Land is clearly a fundamental component in the delivery of planning objectives as acknowledged in the NPPF. The NPPG also recognises the need to 'sense check'.

Affordable Housing Definitions & Value

The affordable housing definitions contained within section two of the report, and the corresponding values contained within the Viability Study require reviewing given the publication of the draft GLA Affordable Housing & Viability SPG in November 2016 and the Housing White Paper in February 2017.

Section 4.15 notes that at the request of the local authority grant-funded scenarios have been tested. The Mayor's Investment Prospectus published at the end of 2016, and the Affordable Housing SPG state that a 'Developer Route' now exists for planning gain affordable housing to be grant funded under certain circumstances.

Representative Schemes Tested

The Viability Study considers nine notional development schemes reflecting historic planning consents and sites of a scale that are envisaged to be coming forward in the OKROA. The sites range from 11 homes to 650 homes, the larger of which correctly have an element of commercial uses, given the nature of the schemes coming forward in the AAP. The study also considers ten 'real' development scenarios which are illustrated in the map within the Viability Study in 4.2.1.

It is not entirely clear as noted why the Viability Study tests only sites within the OKROA given the increase in proposed CIL rates across the borough and this requires clarification.

Residential Sales Values

The Viability Study contains commentary in relation to sales values with an underlying them relating to the potential upside in values. The highest residential values included in the BNP Paribas are not currently achievable, as an average achieved value on a large-scale scheme (the Viability Study refers to £850 to £900 per sq ft being achievable in the 'short term', albeit this statement is not quantified.

There is little doubt that there is the propensity for upside, albeit this upside may be some way off and early schemes may not benefit from significant upside, and any examination of risk in relation to policy making should consider the potential for downside given current market headwinds.

Development Risk

The general tone of the commentary regarding risk is reasonable. However, it should be noted that in assessing what constitutes 'the market', regard should be had to funders' requirements and target returns for the larger house builders and property companies. Profit margins are on the increase in an uncertain market and many of the housebuilders will not compete on sites for a weighted return on capital of less than 20%.

This is particularly relevant to the larger sites in the sample, where the borrowing requirements are likely to be significant and the range of risks varied. In relation to section 4.38 and reference to the District Valuation Service undertaking most assessments in the borough, this is not factually correct and the DVS reference to profit was made in 2014 therefore its relevance is tenuous in relation to today's market and the types of schemes being considered.

CIL and S106

The Viability Study refers to the BCIS indexation and there is a typo in the fourth line, which we assume should read 2015 and not 2011.

Development & Sales Periods

Given current market uncertainties, 75% off-plan sales should be accompanied by sensitivity analysis. If the proposed sales values are to be achieved, developers may require longer to achieve these sales.

In general developers are taking longer to achieve their off-plan sales, with exchanges closer to practical completion and the number of points of contact between seller and buyer is increasing. Certainly, assumption of off-plan sales, in formal Red Book valuations, have been downgraded in recent months with some banks factoring in no more than one-third off plan sales.

Exceptional Costs

Given the location and historic nature of these sites it would seem pertinent to add an additional contingency to cover likely exceptional costs. This is not a borough wide study, and the nature of the sites is known.

Benchmark Land Value

Comments are made above in respect of the risks of undervaluing the return to the landowner. This may not always be the case in the scenarios tested, but a sense check should be undertaken.

Section 4.47 states '*A blanket premium assumption of 20% has been applied to each of the existing use values taking a cautious approach and reflecting that the sites identified in the study are currently occupied commercial floorspace*'. DS2 would reflect that this is not a 'cautious' approach but simply ones that applies an arbitrary margin without reference to any evidence.

This is not consistent with the policy or guidance. It may be that 20% is too high, too low or about right, but a failure to sense check against market evidence for similar assets puts delivery at significant risk as it assumes that land will be delivered within a reasonable tolerance of the figures assumed. The Viability Study approach to land value is singular in that it only considers what is on the site and not what might be possible. The latter is a key consideration for a landowner considering a disposal.

A planning consent is required to capture additional land value and in that regard a planning authority may seek to create greater certainty around the policy position i.e. as the GLA Affordable Housing and Viability SPD seeks to do. However, the clear implication of an inflexible approach to policy application is that land may simply not come forward for housing. The land cost in the viability equation should reflect, on a risk adjusted basis, an equitable balance with consideration of the level of planning obligations being delivered and the development profit.

DS2 acknowledge that this is a 'high-level' policy based assessment and there are limitations on what can be modelled however the current approach is in no-way stress tested and therefore carries inherent risks.

Section 6.2 of the Viability Study reflects the reality of the land market. The Viability Study states *'In the case of low quality industrial sites, existing use values will be lower and they will clearly have greater scope to secure an uplift in land value through the planning process. Such sites are also more vulnerable to speculative purchase with purchasers often paying far more than existing use value in the hope of securing a change of use'.*

This fact is derived through several reasons. Firstly, there are purchasers who include unrealistic expectations, including low affordable housing percentages, to inflate land value and secure sites. DS2 are clear that the mitigation of poor commercial decisions through the reduction in planning obligations is not acceptable. Secondly, some of the sites will have very low existing use values reflecting the scale of buildings on the site and often the relatively low income.

However, the owner's consideration on whether to sell will reflect a series of variable including the scale of development proposed, and uses, that can be secured on the site with a consideration of the community benefits that are being secured including planning gain and the developer's profit. An arbitrary 20% increase on the EUV is too simplistic an approach, even for headline policy making.

From a plan or CIL-making perspective, a more reasonable approach might be to assess market evidence to get a view on the margin required to release sites based on the existing uses and the proposed density increase.

Assessment of the Results

Section 6.3 refers to 'non-viable' schemes as noted above. It is, in DS2's opinion, a flawed approach to suggest that CIL is not a consideration in the landowner's decision making process if the site is already unviable. The position on viability may be marginal however a CIL rate calculated without regard to unviable schemes puts their delivery at risk. As the Viability Study demonstrate a significant number of the scenarios tested are technically unviable with 35% affordable housing incorporated and at lower percentage levels.

Section 6.5 refers to further viability testing of 100% residential schemes and acknowledges that with the inclusion of higher benchmark land values and lower sales values, viability becomes challenging.

The results set out in Table 6.7.1 are interesting insofar as they model a notional scheme of 300 apartments and 3,000 sq m of B1 office space and 450 flats, 5,000 sq m of B1 office and 1,000 sq m of retail. The results recognise that weak commercial values present a drag on land value. The scale of development presented in the scenarios is not unrealistic when compared to large number of sites within the OKROA.

Under these scenarios, even at £900 per sq ft for the residential values, which as DS2 note above are above the current market, a significant proportion of the outputs are unviable unless the residual outputs are tested against the very lowest Benchmark Land Value.

DS2 note the comments at sections 6.8 and 6.9 in relation to future growth. It is acknowledged by developers that many of these sites will only be delivered if indeed there is real growth in values. The potential for this seemingly exists given the performance of other areas that are benefitting from new infrastructure and a critical mass of new homes and supporting uses.

However, this assumption carries with it significant risks and the development industry in the OKROA needs to work with Southwark to identify ways in which growth can be enabled. The current timetable for the delivery of the two new Bakerloo stations on the Old Kent Road is for construction to commence in 2023 and services to commence by around 2028/29 and perhaps later. Therefore, people buying into sites in the OKROA in 2017/18 will not benefit from improved services for at least 10 years and potentially longer.

Table 6.10.1 presents the findings of the appraisal testing on the specific sites. In general, the sites are largely unviable even with no affordable housing. The table presents CIL as a percentage of total value and as a percentage in uplift in costs.

Conclusions & Recommendations

The recommendations acknowledge the difficulty, particularly at the southern end of the OKROA of generating viable schemes with all policy objectives being met. Existing policy flexibility is encouraged and is a welcomed recommendation.

The recommendations note that the impact on residual land values through 10% incremental changes to CIL is unsurprisingly comparatively lower than the same changes to build costs and sales values. This analysis is not unsurprising and is of limited value. The recommendations further state that CIL is no more than an additional 4.72% of costs (6.27% of development value) and an average of 2.86% (4.33% of development value), which is considered to have a 'minimal impact'. However, on a cost budget of several hundred million pounds, 4.72% is significant and should not be dismissed.

Landowner's acknowledge that the potential CIL receipts will have a significant impact on the ability to fund infrastructure, as the recommendations conclude. What is important though, is the ability of schemes to be commenced and pay these liabilities and this depends on the viability of the schemes and the availability of various sources of funding.

Valuation Uncertainty Following EU Referendum

The comments reflecting the June 2016 referendum and the decision of the UK to trigger an exit from the European Union are acknowledged. This event certainly reflects a headwind for the development sector and one that increases risks in the short to medium term. The long-term macroeconomic position in the UK and the implications for property markets is uncertain.

SDLT changes introduced by central Government in 2015 are also causing risk issues at the sorts of £ per sq ft values being considered in the scenario testing within the Viability Study. Those delivering housing in central London are reporting slower sales rates and higher costs to achieve those values and rates primarily through additional contacts between the buyer and seller prior to the point of exchange.

Summary

The evidence base clearly demonstrates the tensions of seeking to deliver 35% affordable housing and an increased CIL rate. The landowner however supports Southwark in their proposed delivery of the draft Charging Schedule given the recognition of the costs of delivering important infrastructure and the accompanying benefits for all stakeholders. The Council must also recognise the difficulty of delivering 35% affordable housing in the Opportunity Area.

Accordingly, there should be flexibility in either the CIL rate or the headline policy affordable housing percentage and / or tenure mix within the Opportunity Area. The landowner would very much welcome a discussion on this important matter with the Council and other landowners who are faced with the same issue.

DS2 LLP
March 2017

Community Hub

What is your name? - Name	What is your email address? - Email	What is your organisation? - Please state your organisation if applicable	Do you have any comments on the Revised CIL Charging Schedule and Regulation 123 List? - comments	Would you like to be heard at the examination in public to be held in summer 2017? - examination
Colin Bennie	[redacted]	n/a	The Revised CIL and three zones proposed do not take into consideration the loss of benefit suffered by Camberwell as the branch of the proposed BLE serving Camberwell Town Centre has been rejected by TfL despite business case support for it. There should be a sub zone 3 category to offset the effects on residents by rating residential at zero in Camberwell and a reasonable proportion of the CIL ring fenced for funding the construction required to re-open Camberwell Station as per Southwarks Draft Area Plan.	Yes
Peter Wang	[redacted]		In the midst of an enormous housing crises, I don't think it's appropriate to apply further dampening measures on house-building. The council should encourage house-building, not discourage it.	No
Mrs S. Matthews	[redacted]	Walsingham Planning on behalf of Lidl UK GmbH	The Charging Schedule should include a discounted rate for undercroft or basement car parking associated with a chargeable use. For example, LB Hounslow charges £155/m2 for larger retail uses but associated undercroft or basement car parking is charged at £20/m2 to reflect the fact that this ancillary floorspace is not income-generating. LB Southwark should take the same approach to ensure that CIL does not compromise development viability.	No

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[redacted]

14 March 2017

FREEPOST SE1919/14
Douglas McNab
Planning Policy
Chief Executive's Department
London Borough of Southwark
London SE1P 5EX

Dear Sir,

REVISION TO THE SOUTHWARK COMMUNITY INFRASTRUCTURE LEVY CHARGING SCHEDULE REPRESENTATIONS ON BEHALF OF GUY'S AND ST THOMAS' CHARITY

Introduction

On behalf of our client, Guy's and St Thomas' Charity ("the Charity") ("client"), we are writing to respond to the London Borough of Southwark (LBS) Revision to the Southwark Community Infrastructure Levy, currently published for consultation until 13 March 2017.

Guy's and St Thomas' Charity is an independent charitable foundation which supports new ideas to tackle major health and care challenges in Lambeth and Southwark, and therefore has considerable interest in planning matters in the Borough.

Our client welcomes the opportunity to comment on the Revised Charging Schedule.

Comments on the Revised CIL Charging Schedule

The Charity's assets are located within Zone 1 at Guy's Hospital, south of St Thomas Street. The Charity notes that all of the CIL rates within Zone 1 have been increased in line with the All-in-Tender Price Index, as provided for in the CIL Regulations.

The Charity does not object to the principle of the Council seeking to secure sufficient funding for infrastructure to support growth in the Borough; however, does wish to express its position in relation to charitable relief and to clarify the CIL position in respect of any plans which might be brought forward for major redevelopment at the London Bridge campus (in the joint ownership of Guy's and St Thomas' NHS Foundation Trust, King's College London and the Charity).

As a charitable institution, any chargeable development that will be used wholly or mainly for charitable purposes, whether occupied by, or under the control of the Charity, will qualify for mandatory charitable relief under Regulation 43 of the CIL Regulations.

In the event that the Charity and its partners bring forward development proposals for all or part of the

London Bridge Campus we request that the Council will have regard to the likely need for development which will attract CIL to cross-subsidise the cost of new health and education facilities for the benefit of local residents and businesses. The Charity welcomes the opportunity to work with the Council to ensure that CIL policy is applied appropriately in support of such development and will not adversely impact the viability of such important infrastructure projects.

I should be grateful if you would confirm receipt of this representation and the Charity requests to be informed of progress of the Revised Charging Schedule. Please contact me on the details above should you have any queries.

Yours sincerely

Richard Maung
For Deloitte LLP

GREATER**LONDON**AUTHORITY
Development, Enterprise and Environment

Douglas McNab
Planning Policy
Chief Executive's Department
FREEPOST SE1919/14
London SE1P 5LX

Our ref: LBSCILDCS/PH
Your ref:
Date: 13th March 2017

Dear Colleague,

Planning Act 2008
London Borough of Southwark Community Infrastructure Levy – Draft Charging Schedule

I am writing on behalf of the Mayor of London with comments on the London Borough of Southwark's Community Infrastructure Levy (CIL) draft charging schedule.

The Mayor welcomes the principle of Southwark seeking to secure appropriate developer contributions in order to support the funding and delivery of improved transport infrastructure, particularly the Bakerloo Line extension. He would wish to continue to work together in developing and bringing forward transport proposals in Southwark. He would like to draw your attention to the comments TFL have made.

I would be grateful if you could note our request to be notified of submission of your draft charging schedule for examination, publication of the examiner's recommendation and approval of the charging schedule.

Although we are not objecting, if required we can attend the public examination to address the question of compliance with CIL Regulation 14(3).

In respect of the above requests for notification, I would be grateful if you could contact Peter Heath, Senior Strategic Planner at the address below, and/or by email to
[redacted]

Yours sincerely

Peter Heath
Senior Planner – Planning

Development Consultants

PL/DS2

13 March 2017

Freepost SE1919/14
Douglas McNab
Planning Policy
Chief Executive's Department
London SE1P 5EX

DS2

Development Services 2 LLP
100 Pall Mall
London SW1Y 5NQ

[redacted]

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Dear Douglas

LONDON BOROUGH OF SOUTHWARK - DRAFT COMMUNITY INFRASTRUCTURE LEVY CHARGING SCHEDULE (JANUARY 2017)

REPRESENTATIONS OF GREYSTAR

These representations on the draft Community Infrastructure Levy Charging Schedule ('DCS') are made by Greystar. Greystar is currently considering the acquisition of several sites within the Charging Authority area for both Multifamily (Build to Rent) and Student Accommodation projects. Several of the sites being considered are located within the Old Kent Regeneration Opportunity Area ('OKROA') albeit there are opportunities being pursued outside the Opportunity Area.

Greystar is seeking to make a significant contribution to London's housing supply and aspires to be one of the UK's largest operators of rental housing.

Greystar is a leading, fully-integrated, real estate company that specialises in the investment management, development and property management of rental housing, managing approximately 410,000 rental homes and associated amenities in over 130 markets worldwide. Since entering the UK market in 2013, Greystar has built up a rental portfolio worth £2.8 billion by investing in new housing and student accommodation. Currently the business has two multifamily developments underway in the UK – Greenford in West London (1,439 rental homes and 526 homes for sale) and Sailmakers in Canary Wharf (327 multifamily apartments and 15,000sqft of amenities) with a target to increase its UK multifamily portfolio to 10,000 rental units within four years.

Greystar also owns and operates a boutique student accommodation brand – Chapter – which provides premium student living in the best London locations. Chapter has 4,456 student beds across eight sites (Aldgate, Highbury, Islington, King's Cross, Lewisham, Portobello, Spitalfields and Southbank). Each Chapter community is located in London fare zones 1 or 2 and near top universities and excellent transport links.

The London Borough of Southwark is a charging authority ('the Charging Authority') for the purposes of Part 11 of the Planning Act 2008 and may therefore charge the Community Infrastructure Levy in respect of development in the London Borough of Southwark.

Following consultation, the DCS will be scrutinised through an Examination in Public ('EiP') in the second half of 2017, and subject to the outcome, the DCS will be adopted shortly after.

Greystar recognises that the need for appropriate infrastructure provision, as identified in the Regulation 123 list, in the OKROA and across the wider Charging Authority area. However, the delivery of the major sites particularly in the Opportunity Areas is constrained by a range of factors, and placing too high a reliance on the funding of infrastructure projects through the capture of CIL, on these challenging sites, without flexibility on planning gain, puts the delivery of the strategic objectives at risk.

It is Greystar's current experience that the delivery of a residual land value that is significantly above site's existing use value, with a reasonable margin to incentivise the landowner to sell, is problematic when the full range of planning polices are considered, including the delivery of planning gain and CIL.

This is further complicated on student accommodation sites where the emerging policy position contained within draft policy DM22 of the New Southwark Plan requires 35% traditional affordable housing and 27% affordable student accommodation. A separate representation will be presented by Greystar on this point in relation to Preferred Option for the New Southwark Plan.

The National Planning Policy Framework (NPPF) is clear that the requirement for obligations and CIL, should seek to strike the right balance between meeting the infrastructure gap funding challenge and ensuring that new development remains deliverable.

The Charging Authority have an adopted Charging Schedule dated March 2015. In summary, the revised DCS proposes an increase of circa 10% in the CIL rates across the Charging Authority area. Student rates for 'direct-let' accommodation are proposed at £109 per sq m across the borough whilst student accommodation provided for through nominations with educational establishments, at rents set below an average of £168 per week are zero rated.

There is no differential rate for Build to Rent schemes and residential CIL rates are £435 per sq m for zone one, £218 per sq m for zone two and £54 per sq m for zone three. The CIL Regulations allow for the use of differential rates (Regulation 13) and the Charging Authority should consider a differential rate for Build to Rent schemes, recognising the distinct economics for such schemes, as the NPPG does, when compared to open market for sale schemes. Regulation 13 allows Charging Authorities to set differential rates for several reasons including, Regulation 13(b) 'by reference to different intended uses of [development]'.

Greystar note that the evidence base for the draft CIL rates does not include viability evidence in relation to Build to Rent schemes. Greystar would be willing to contribute to a discussion and evidence base regarding the delivery of such projects.

Build to Rent projects can make a sizeable contribution in the capital to housing numbers, and offer a genuine housing choice for a wide range of households on varying incomes, many of whom are not catered for with traditional affordable housing products and open marker sale. Greystar plan on delivering high quality homes, with purpose built amenities available to all residents and with a greater security of tenure, in line with the requirements of the GLA's draft Housing SPG.

The DCS evidence base concludes that there are viability constraints, particularly within the OKROA, of generating viable schemes with all policy objectives being met. Existing policy flexibility is encouraged and is a welcomed recommendation.

The conclusions state that CIL is no more than an additional 4.72% of costs (6.27% of development value) and an average of 2.86% (4.33% of development value), which is considered to have a 'minimal impact'. However, on a cost budget of several hundred million pounds, 4.72% is significant and should not be dismissed.

Landowners acknowledge that the potential CIL receipts will have a significant impact on the ability to fund infrastructure, as the recommendations conclude. What is important though, is the ability of schemes to be commenced and pay these liabilities and this depends on the viability of the schemes and the availability of various sources of funding.

Summary

The evidence base clearly demonstrates the tensions of seeking to deliver 35% affordable housing and an increased CIL rate and in the case of student schemes, 27% affordable student accommodation. Greystar supports Southwark in their proposed delivery of the draft Charging Schedule given the recognition of the costs of delivering important infrastructure and the accompanying benefits for all stakeholders.

The Charging Authority should however recognise the difficulty of delivering 35% affordable housing, particularly in the Opportunity Area, and the positive role a differential Build to Rent rate could play in delivering an increased volume of housing.

Greystar would very much welcome a discussion on these important matters with the Council and other landowners who are faced with the same issues.

DS2 LLP
March 2017