Hounslow Local Plan Examination

LB Hounslow - Written Statements

Week 4 Matters, Issues and Questions

Sessions 12-14

17th March – 19th March 2015

Session 12: Site Allocations (Part 2)

1. SITE ALLOCATION 06 - BSKYB

Qn1a. What uses could be included in a ‘Media Campus’

1.1 The reference to media campus is intended to refer to the broadcast function of Sky’s operation is the key industrial use within the media campus. It is envisaged that the proposals for a media campus would include broadcast studios, galleries, edit suites, audio dubbing suites, graphics, production meeting rooms and production offices (a mix of B1a, B1b and B8 floorspace). The inclusion on B1a floorspace within the definition is specifically linked to Sky’s operation as a news/production facility, and that the office uses proposed must be specifically related to research and development, or the process of both developing and producing programmes and other content.

Qn1b. Where is the site’s SIL/ Industrial Business Park status designated and defined in the Local Plan?

1.2 The Strategic Industrial Location is identified in the London Plan and designated through policy ED2 and the Policies Map on which the existing Strategic Industrial Location will be retained.

Qn1c. How does the proposed site allocation relate to that status?

1.3 The council is committed to supporting BSkyB to continue to operate from this site and value the company’s major contribution to economic regeneration. It is recognised that the nature of broadcasting does not fit neatly into planning use classes so flexibility is imperative in order that the business can grow without onerous planning restrictions. It is also recognised that due to the nature, scale and variety of activity associated with such a use, a site within a town centre would not be forthcoming due to competition for space for other high value town centre uses.

1.4 Any new use or redevelopment should result in positive impacts on the Strategic Industrial Location and the area as a whole.

Qn1d. What publicity and consultation has been undertaken on the corrected site plan?

1.5 The Proposed Submission consultation ran from March 7th to April 22nd. The site plan for Site Allocation 06 was corrected on March 27th through the Erratum note which resulted in an updating on the online version of the Proposed Submission Plan. All contacts on the council's Local Plan database were contacted to inform them of the Erratum updates.

1.6 However, the council did not include the corrected version of the site plan in the Minor Changes consultation. Instead, it only showed the erroneous plan being deleted. The council therefore believe it may be appropriate to include the correct version of the site plan in the Main Modifications consultation following the Examination.

2. SITE ALLOCATION 07 – GILLETTE

Qn1e. Is there any evidence that the site's development would or would not be viable without residential development?

2.1 There is no specific evidence regarding the viability of site's development however, the Viability Assessment prepared in support of the Local Plan and the Community Infrastructure Level have assessed viability on a borough-wide basis. It is also important to note that the site has been within a designated Strategic Industrial Location since the adoption of the Employment Development Plan Document in December 2008. As the site was most recently sold in summer 2013, it is assumed that the site's industrial designation and employment allocation informed any assessment of the site's future development potential.

Qn1f. Would residential, hotel or education use be compatible with the sites' Strategic Industrial Location status?

Qn1g. Does it provide adequate certainty for the allocation to state that hotel, training or education <u>may</u> be acceptable and are the criteria for acceptability clear?

2.2 The reference to hotel, training and education uses is intended to apply specifically to securing the beneficial re-use of the Listed Building. To clarify the allocation in this regard, the council proposes to replace the wording in the Local Plan with the currently adopted wording from the Brentford Area Action Plan to provide clarity of the relationship of non-industrial uses with the designation of the site as a Strategic Industrial Location.

Allocation: ~~Mixed Use~~ **Employment**

Proposed Use: <u>***Retention and***</u> reuse of the existing <u>***Listed***</u> building <u>***and associated redevelopment to provide high quality flexible business space compatible with the site's designation as an Industrial Business Park where B1b, B1c and high value B2 activities will be encouraged.***</u> ~~*For employment uses* ***and development of the rest of the site.*** *A hotel, training or education facility may also be acceptable on site.*~~

~~*Justification: The council seeks to retain and reuse the existing Listed Building.*~~ The beneficial re-use of the Listed building is considered a high priority and the council will take a flexible approach to deliver a positive use for the building ~~*without delay*~~ ***Appropriate non-industrial uses for the Listed Building would be a hotel, other employment, training or higher education. These*** would need to be accommodated without compromising the industrial offer of the wider area**.** ~~*If a hotel, training or education facility is provided on site it would need to be accommodated without compromising the industrial offer of the wider area.*~~

Justification: ***Policies seek to retain and enhance the Listed building as well its setting and maintain appropriate employment uses. Any new use or redevelopment should result in positive impacts on the Strategic Industrial Location and the area as a whole.***

3. Site Allocation 10 – Reynards Mill

Qn1h. The allocation is described as housing and education. Does the estimated 4FE capacity assume a mixed use or exclusive school use?

3.1 The estimated 4FE capacity for the Reynards Mill site is the maximum capacity of the site if developed exclusively for school use. The Education Topic Paper (CI04) assesses the maximum capacity for FE of each site allocated for education use in the Local Plan and then calculates that if 75% of these sites came forward the required number of school places would be delivered across the Local Plan period. As explained at paragraph 5.17 (CI04), this is a high level assumption for the sake of indicative numbers and capacity and is not expected to reflect the actual design and use of individual sites.

Qn1i. What proportion of the site and what density was assumed when estimating the residential capacity at 59 dwellings.

3.2 25% of the site and a density of 100 units per hectare were used to estimate the residential capacity of the site. However, since the site capacity figures were published, they have been reviewed as part of the evidence informing the housing trajectory 2013-14. This review was due to recent granting of planning permission (subject to Section 106) for 195 residential units. The permission granted is for residential development and includes a small scale D1 use (100 sqm), but does not include a school.

3.3 The recent permission on this site, ahead of the adoption of the Local Plan, demonstrates the importance of allocating a number of sites for new schools provision. It is likely that as brownfield land, all of those sites allocated for mix of education and other uses will come under pressure for alternative non-education development. This has led to the approach in the Local Plan of allocating additional school sites to ensure that capacity for new provision can be made throughout the Plan period, whilst retaining a degree of flexibility in relation to mixed use education/ residential allocations (subject to the Implementation policies).

Qn1j. If mixed use development is envisaged is there evidence as to whether this would or would not be viable?

3.4 New school provision is increasingly operating a largely ‘free market’ situation promoted by government policy on Free Schools and Academies both of which operate outside of Local Authority control and secure funding directly from the Education Funding Agency (EFA). The EFA have already purchased a number of sites for new Free Schools in the borough and do so at market values. Consequently, it is not envisaged that the provision of education uses on mixed use sites will have a negative impact on viability.

Qn1k. Do the Representors have any comments on the council’s responses to their representations?

3.5 The council will respond as comments arise.

4. SITE ALLOCATION 13 – LIONEL ROAD

Qn1l. Is the text, as amended, consistent with the planning permission and with the requirements of the London Plan for prior re-provision of the waste facility?

4.1 The council will respond as comments arise.

Qn1m. What change is sought to the Local Plan and how mitigation be implemented if planning permission has already been granted?

4.2 The council will respond as comments arise.

5. SITE ALLOCATION 17 – BRENTFORD WATERSIDE

Qn1n. Will further site guidance be presented in a form which includes public consultation?

5.1 The council is not currently proposing to provide more detailed site guidance for the site given the recent outline planning permission which was based on the policies and allocation in the Brentford Area Action Plan. The details and reserved matters applications for this site will also be subject to further consultation through the planning application process. However, were circumstances to change and the existing planning permission was not progressed, a Planning Brief for the site could be prepared. Such a

Brief would be subject to public consultation in accordance with the requirements in the council's Statement of Community Involvement.

6. SITE ALLOCATION 27 – JOHN BUSCH HOUSE AND SITE ALLOCATION 28 - EUROPA HOUSE

Qn1o. In these circumstances how likely is it that the allocations will be delivered and are the allocations justified?

6.1 . The prior notice applications for residential conversions together with the recent planning permission does reduce the likelihood of all of the allocated uses for these sites being delivered. However as development work has not yet commenced it is considered appropriate to retain the allocation at this stage, particularly as they contribute to overall housing supply.

Session 13 – Community Infrastructure Levy

7. INFRASTRUCTURE

7.1 For a CIL Infrastructure Levy to be justified it is necessary to show that infrastructure is necessary to deliver the Local Plan and that there is a gap between the costs of that infrastructure and the funds otherwise available and which a CIL charge will help to bridge. The CIL02 Supporting Information Document identifies a funding gap of £44-142 million for Education alone and suggests that health and transport infrastructure will increase the funding gap.

7.2 Transport for London (3302) (TfL) seeks a quantified funding gap over a future period of time, together with an anticipated annual sum that will be raised by the borough CIL. The council responds that this will be a matter for future work to update the Infrastructure Delivery Plan.

Qn1a.Can the Council provide a current overall estimate of the costs of infrastructure towards which CIL contributions will be sought?

7.3 The council can provide the most recent estimates of the cost of infrastructure towards which CIL contributions will be sought, which currently stand at between £174m and £189m. This consists of:

- Education facilities – Members agreed the Schools Expansion Programme for 2016-2020 at their 9 September Cabinet meeting and the funding associated with the delivery of the programme, which could be up to £124m to deliver 29.5 FE (forms of entry).
- Transport and connectivity – infrastructure costs are currently estimated at £50m to £65m. This is based on the cost estimates for large infrastructure items identified to facilitate growth, particularly along the Great West Corridor (as set out in more detail as part of the council's statement for Session 1 Qn3d(e)).
    - South West Trains on Hounslow Loop (committed enhancements Cost: Largely committed in 'Control Period 5 2014-2019'
    - Link from Boston Manor tube station to Great West Corridor 'Boston Boardwalk': Likely cost: £5-£15m
    - Southall – Brentford Golden Mile Rail Link. Estimated capital cost: £30m existing freight line and infrastructure already in place.

- Hounslow – Old Oak Common Rail Link. Estimated capital cost: £15m however note other infrastructure dependencies around Old Oak common which would be required.

7.4 CIL contributions will also be sought towards funding heritage assets, green and blue infrastructure, public spaces, health facilities and leisure and cultural facilities; however infrastructure costings for these items will not have varied significantly since they were outlined in the Infrastructure Delivery Plan (LP08). Any cost increases or decreases for these infrastructure items listed will not have a significant impact on the overall cost estimates.

Qn1b. Can the Council currently estimate the likely revenue from CIL contributions over a relevant period?

7.5 The current estimate of likely revenue for CIL contributions over the Local Plan period is **£37,820m**. The tables below show how this has been calculated:

Projection of residential CIL receipts

Total units/ annum	Midpoint floor-space/ unit (sqm)	Total floor-space	Total market floor-space (60%)	Total market floor-space which is additional (50%)[1]	Charged at midpoint for CIL rates (£110/sqm)	Estimate of total CIL over Local Plan period
822	90	73,980	44,388	22,194	£2,441,340	£36,620,100

Projection of commercial CIL receipts

Use	Total sqm over Local Plan period	Total market floor-space which is additional (50%)[1]	CIL rate applicable	Estimate of total CIL over Local Plan period
Retail	30,000	15,000	£20 (NB: in some case the £155 rate might apply)	£300,000
Office	90,000	45,000	£20	£900,000
			TOTAL	£1,200,000

Qn1c. Can this matter be addressed by the SPD and has BH responded to the public consultation document issued in December 2014 (CIL09)?

7.6 The draft Planning Obligations and CIL SPD (CIL09) sets out at paragraph 6.24 that "developments which require specific…public realm matters need to make a site acceptable in planning terms should provide this mitigating measures through a S106

[1] Estimate of total additional floorspace is based upon historic LDD data which demonstrates that on average existing floorspace makes up two-thirds of proposed floorspace in schemes in Hounslow (2010-2015). This has been adjusted to 50% to take account of existing floorspace which might be vacant and therefore not meet the CIL tests for 'in-use' floorspace.

agreement”. This will be a matter for negotiation at the planning application stage. To ensure flexibility for site specific mitigation measures to be sought through S106 agreements, where needed, the council has tested a range of high and average S106 costs in the Viability Assessment (IMP01). A breakdown of planning obligations secured from 2009/10 to 2012/13 (Appendix 2 in CIL02) show that historically public realm contributions agreed through S106 agreements have totalled only £471,918. For all major developments over a four year period these are generally not significant financial contributions when seen as a proportion of all financial contributions agreed. Much of the funding for public realm improvements has come from external sources such as the Outer London Fund (OLF) over this period. The council did not receive a response from BH to the public consultation on the Planning Obligations and CIL SPD (CIL09).

8. NOMINAL RATE FOR OTHER TYPES OF DEVELOPMENT

Qn2a. How was the £20 rate determined?

8.1 The CIL Guidance (NPPG) identifies that there is no requirement for a rate to exactly mirror the evidence, there is room for some pragmatism. The Guidance also identifies that charging authorities do not have to set a nil rate, they can set a low rate (paragraph 21, Reference ID: 25-021-20140612). It is highlighted that the respondent(s) have not provided any evidence to demonstrate that the proposed nominal rate for all other developments is inappropriate and will put the delivery of the Local Plan at risk.

8.2 The reason for the proposed nominal rate is that all uses have an impact on infrastructure and more development creates demands for new infrastructure. For example a new storage and distribution facility or office will have both direct and indirect implications for infrastructure. Cumulative direct implications could include road junction improvements to cope with more vehicles. There may be combined direct and indirect infrastructure implications such as additional demands on health facilities and public transport. It should be noted that CIL is not a wholly new charge; it will replace the majority of S106 contributions previously required and the restrictions on pooled s106 planning obligations could result in key infrastructure not being delivered through lack of finance which could make such development unsustainable.

8.3 The proposed nominal charge reflects the council striking a balance between raising money to fund the necessary infrastructure to support developments and the growth of the borough, whilst not putting the delivery of the Local Plan at risk i.e. CIL Regulation 14. At £20 per square metre the nominal charge is of a level which the council considers will not have an impact on a developer’s decision to bring forward a development being a very small part of development costs i.e. typically less than 1% of a scheme's costs.

8.4 BNPPRE has undertaken an analysis to determine the effect of a nominal rate as a percentage of the GDV on the proposed new build floor area tested. These are as follows:

Use	Location	CIL Charge as a % of GDV
Office	Bedfont	0.2%
Office	GWR	0.31%
Office	Rest of borough	0.57%
B8 Industrial	Whole borough	0.85%
Hotel	Whole borough	0.34%

8.5 We note that this approach has been adopted in a number of other CIL charging scheduled including: Bristol City Council, The City of London, LB Croydon, LB Redbridge (by virtue of its flat rate for all uses across the borough), LB Sutton, Oxford City Council, LB Barking and Dagenham and LB Bexley.

Qn2b. What infrastructure on the Regulation 123 list would be likely to replace S106 and S278 payments for Industrial, Storage, Office and other commercial development?

8.6 Industrial, Storage, Office and other commercial developments will have impacts on the transport network and may also need to be supported by public spaces, green and blue infrastructure, leisure and cultural facilities and connectivity improvements. While the Government's CIL Regulations do not require the council to link the impact of specific developments or types of developments to items on the Regulation 123 list to justify charging a CIL rate for a particular use, there is a clear connection between the types of S106 items which can no longer be sought from such developments and items which CIL is intended to fund. S106 and S278 payments would still be sought for site specific mitigation.

Qn2c. Apart from theatres, what types of non-charitable cultural facility might be affected and are any likely to be of marginal viability?

8.7 Other than theatres, the council has identified the following cultural facilities (from the Planning Portal Use Classes webpage) which might come forward and may be non-charitable:

- Art galleries;

- Museums that aren't considered to be exempt as education facilities;
- Cinemas;
- Music and concert halls;
- Bingo and dance halls;
- Nightclubs.

8.8 If the schemes providing these uses are of marginal viability then the likelihood is that they will not come forward for development in the first place. Where there is sufficient viability for the development of these uses, the nominal rate of £20 per sqm is considered to be low enough not to put at risk the delivery of such a development.

Qn2d. Should CIL be charged on facilities that themselves are identified as infrastructure which would be part funded by CIL and, if not, how are these facilities to be identified from those which should be charged?

8.9 The Government's CIL Regulations set out that all qualifying development will be liable for CIL regardless of whether the building itself is used for infrastructure purposes. Under the CIL Regulations such uses can be charged at a zero rate, but this must be justified by viability evidence rather than a policy decision. Leisure and cultural facilities is a broad category and it is possible that there will be facilities charged a CIL rate which could also be the beneficiary of CIL receipts in the future. However there has not been any evidence presented to suggest that CIL costs will be the deciding factor in preventing such uses being developed in the Borough.

Qn2e. For an industrial or other development to meet the Policy IMP1(f) criteria for a relaxation of Policy EQ2 BREEAM requirements on viability grounds how would it demonstrate that it is both critical to plan delivery and of sufficient community benefit?

8.10 Critical infrastructure is defined in the Infrastructure Delivery Plan (IDP) (LP08). Priorities for infrastructure delivery through the Local Plan are assessed against the level of demand and/ or whether the need is a statutory requirement (see paragraph. 1.6 of the IDP). For the critical infrastructure items, all are statutory requirements and have a high level of demand. Sufficient community benefit would be measured against the impacts of non-compliance with the relevant policy, therefore this would be determined on a case by case basis. Policy EQ2 also allows for flexibility in requiring certain levels of BREEAM and could therefore be used instead of Policy IMP1(f).

9. INSTALMENTS AND EXCEPTIONAL CIRCUMSTANCES

Qn3a. Any further comment on this matter?

9.1 The council notes that should the borough implement a different instalments policy to that of the Mayor's CIL instalments policy, the local instalment policy will have preference and supersede current operation of the Mayor's policy for Mayoral CIL.

9.2 It is also noted that the council is able to amend its instalments policy at any point in time. The CIL Guidance 2014 identifies that, 'If the charging authority wishes to publish a new instalments policy, or withdraw the policy, it must give at least 28 days' notice before the new policy takes effect and/or old policy is withdrawn.' Notwithstanding this point it is noted that changes to the instalments policy may have a minor impact on viability and this is discussed further in the council's response to Qn4i.

9.3 The council also highlights that the payment by instalments is not necessarily straight forward as the changes to the CIL regulations in 2014 allow developers to phase their development and pay CIL on a phase by phase basis i.e. each phase of development is treated as a separate chargeable development, to which the council's proposed CIL instalments policy would also apply, thereby further spreading the payment in each phase of development. This is particularly pertinent to larger developments. Paragraph: 056 Reference ID: 25-056-20140612 of the CIL Guidance identifies that;

'*this is expected to be especially useful for large scale, locally planned development, which is an essential element of increasing housing supply. Large scale developments which are delivered over a number of years face particular issues in relation to cashflow and the delivery of on-site infrastructure. The regulations allow for both detailed and outline permissions (and therefore 'hybrid' permissions as well) to be treated as phased developments for the purposes of the levy. This means that each phase would be a separate chargeable development and therefore liable for payment in line with any instalment policy that may be in force. The principle of phased delivery must be apparent from the planning permission. Local authorities should work positively with developers to allow such developments to be delivered in phases.'*

Qn3b. Any further comment on this matter?

9.4 The council has no further comments on this matter at this point.

10. RESIDENTIAL DEVELOPMENT

Qn4a. Why should BCIS costs not be used?

Qn4b. Is there another source of independent costs information that should be used instead?

10.1 The council believes that BCIS costs should be used as they are considered to be the most appropriate evidence available. The submitted Build cost information Survey

Costs ("BCIS") data represents the average (mean) build cost (rebased for Hounslow) at the time that the Viability Report testing was undertaken. As noted, while BG have indicated that they consider the build costs to be too low, they have not provided any evidence of alternative build costs for the council to consider as evidence. The council has sought to rely on 'appropriate available evidence' in line with CIL Guidance and would highlight that numerous CIL charging schedules have been through examination with BCIS costs adopted in the evidence base supporting the charges. The council has not been made aware of another source of independent costs information which would be more appropriate than the BCIS and is yet to receive submitted evidence to support increased build costs.

Qn4c. Does BG accept the Council's explanation?

10.2 The council will await further comment from BG.

Qn4d. Is there evidence to support a different rate of fees for some sites and would that imply different levy rates for different types of residential development?

10.3 It is noted that despite requesting evidence from BG to substantiate its assertion that a 10% allowance is too low, no information has been submitted to evidence this. BNPPRE's have advised that in their experience professional fees range between 8% and 12%, depending on the nature of the site. As a result the Viability Assessment (IMP01) has allowed for 10% professional fees, which is considered to be a reasonable assumption for an area wide viability assessment, which has been accepted at numerous Examinations. In light of this the council does not consider it appropriate to increase the assumption for professional fees on strategic sites.

Qn4e. Would a 12% fee rate materially affect overall viability?

10.4 The council has undertaken a sensitivity analysis on the strategic sites adopting 12% professional fees. The impact on the maximum rates is as follows:

Site type	**Lionel Road (Brentford Diamond) Brentford Football Club**			
	BLV1	BLV2	BLV3	BLV4
Value 1	200	200	200	200
Value 2	#N/A	200	200	200
Value 3	#N/A	#N/A	70(10)	160(110)
Value 4	#N/A	#N/A	#N/A	#N/A
Value 5	#N/A	#N/A	#N/A	#N/A
Value 6	#N/A	#N/A	#N/A	#N/A
Value 7	#N/A	#N/A	#N/A	#N/A

Site type	**Brentford Waterside**			
	BLV1	BLV2	BLV3	BLV4
Value 1	200	200	200	200
Value 2	200	200	200	200
Value 3	200	200	200	200
Value 4	140 (70)	200	200	200
Value 5	#N/A	200	200	200
Value 6	#N/A	200	200	200
Value 7	#N/A	200	200	200

Site type	**High Street Quarter- Hounslow**			
	BLV1	BLV2	BLV3	BLV4
Value 1	200	200	200	200
Value 2	140 (10)	200	200	200
Value 3	#N/A	200	200	200
Value 4	#N/A	200	200	200
Value 5	#N/A	90 (N/A)	200	200
Value 6	#N/A	#N/A	200	200
Value 7	#N/A	#N/A	200	200

Site type	**Civic Centre**			
	BLV1	BLV2	BLV3	BLV4

Value 1	200	200	200	200
Value 2	200	200	200	200
Value 3	#N/A	200	200	200
Value 4	#N/A	200 (160)	200	200
Value 5	#N/A	#N/A	200	200
Value 6	#N/A	#N/A	200	200
Value 7	#N/A	#N/A	160 (120)	200

Site type	Land South of Gillette Corner			
	BLV1	**BLV2**	**BLV3**	**BLV4**
Value 1	200	200	200	200
Value 2	200	200	200	200
Value 3	#N/A	200	200	200
Value 4	#N/A	20 (N/A)	200 (120)	200
Value 5	#N/A	#N/A	#N/A	#N/A
Value 6	#N/A	#N/A	#N/A	#N/A
Value 7	#N/A	#N/A	#N/A	#N/A

Site type	Staines Road East			
	BLV1	**BLV2**	**BLV3**	**BLV4**
Value 1	200	200	200	200
Value 2	200	200	200	200
Value 3	200	200	200	200
Value 4	200	200	200	200
Value 5	50 (N/A)	200	200	200
Value 6	#N/A	200	200	200
Value 7	#N/A	200	200	200

10.5 The results demonstrate that adopting professional fees of 12% versus 10% has a slight impact upon the maximum rates. Where the results of the sensitivity test differ from the maximum results in the base position in the Viability Study, upon which the rates were set, this is identified in red and in brackets. However, the changes in the maximum CIL rates are not relevant to the identified benchmark land values and sales values appropriate for each strategic site tested (highlighted in blue). Therefore, if 12% professional fees were to be adopted, this would not impact upon the advice provided to the council by BNPPRE or the maximum CIL rate that could be charged. However, the advice received by the council from BNPPRE remains that 10% professional fees is appropriate for the purpose of this study.

Qn4f. Is there evidence to support different marketing costs that would be generally applicable to residential sites?

10.6 The council will await further comment from BG or other respondents.

Qn4g. What was the actual effect on the appraisals of matching the sales period to the construction period?

10.7 In its representation to the Draft Charging Schedule (DCS) consultation, BG point to Scenario 7 where a rate of 18 months has been assumed for the construction period and a rate of 36 months has been assumed for the sales period. In reality the construction rate would be extended to match sales.

10.8 Following the DCS consultation period, BNPPRE undertook some sensitivity analyses on the build period and the sales period, such that that the build period was extended to reflect the sales period. The results of this sensitivity testing demonstrated that the same level of CIL can be supported when the build period is extended (as with BNPPRE's adopted timings) and therefore there is no impact upon the viability.

10.9 The results relating to the sensitivity testing of Scenario 7 in response to BG's comments are set out below:

Scenario 7 – 40% Affordable Housing

Central Area

BNPPRE timings:

Value Area	Site type 7- 200 unit			
	BLV1	BLV2	BLV3	BLV4
Value Area 4	#N/A	200	200	200
Value Area 5	#N/A	50	200	200

Extended time period (as per BG):

Value Area	Site type 7- 200 unit			
	BLV1	BLV2	BLV3	BLV4
Value Area 4	#N/A	200	200	200
Value Area 5	#N/A	#N/A	140	200

10.10 Considering central area Scenario 7, Value Area 4 is located within the proposed CIL charging Zone 2 (Central) £110 per sq m, and the results of the sensitivity test with the extended time period demonstrate there is no impact upon the viability and the proposed CIL charge can still be supported.

10.11 Scenario 7, Value Area 5 is located within the proposed CIL charging Zone 3 (West) £70 per sq m, and the results of the sensitivity test with the extended time period demonstrate that there is reduced viability against BLV2 and BLV3, however the proposed CIL rate can still be supported against BLV3 and BLV4.

Qn4h. Is it likely would homes be sold off plan before any construction at all has commenced on a site?

10.12 Yes, in the context of the current housing market it is likely that a proportion of the residential units would be sold off plan prior to or during construction. It should be noted that in some instances this is a requirement for developers to get funding.

Qn4i. What was the actual effect on the appraisals of the sensitivity testing of instalments?

10.13 BNPPRE has undertaken sensitivity testing to demonstrate the impact of the change in the instalments to the Mayoral CIL policy from that tested in the Viability Study on the maximum CIL charges. Where the results of the sensitivity test differ from the maximum results in the base position in the Viability Study, upon which the rates were set, this is identified in red and in brackets. This testing clearly demonstrates that the instalments policy has a minimal impact on maximum CIL rates tested as part of the viability study and the CIL charges as proposed by the council will not put development at risk. The council considers instalments policies to have minimal impact on viability since in line with the Government's CIL Regulations, they must be based on fixed points of time from commencement rather than be based on events (such as sales or occupation). Therefore once a development scheme starts construction, lenders view CIL as a fixed committed cost, whether it is paid after 60 days or 180 days or 360 days etc.

Table 4.1: Site type 3 East (10 flats 140 uph) - maximum viable rates of CIL[2] (£s per square metre)

Site type	Site type 3- 10 unit			
	BLV1	BLV2	BLV3	BLV4
Value 1	335	335	335	335
Value 2	335	335	335	335
Value 3	30	335	335	335

Table 4.2: Site type 3 Central and West area (10 flats 70 uph) - maximum viable rates of CIL[3] (£s per square metre)

Site type	Site type 3- 10 unit			
	BLV1	BLV2	BLV3	BLV4
Value 4	#N/A	#N/A	#N/A	160
Value 5	#N/A	#N/A	#N/A	#N/A
Value 6	#N/A	#N/A	#N/A	#N/A
Value 7	#N/A	#N/A	#N/A	#N/A

Table 4.3: Site type 4 East (35 flats 400 uph)- maximum viable rates of CIL (£s per square metre)

Site type	Site type 4- 35 unit			
	BLV1	BLV2	BLV3	BLV4
Value 1	335	335	335	335
Value 2	335	335	335	335
Value 3	#N/A	150 (100)	200	275

Table 4.4: Site type 4 Central (35 flats 250 uph)- maximum viable rates of CIL (£s per square metre)

Site type	Site type 4- 35 unit

[2] NV = Site is not viable before CIL is applied. These results are disregarded for the purpose of recommended CIL rates, as the sites would remain in their current use, unless other (non-CIL related) factors were to change.

[3] NV = Site is not viable before CIL is applied. These results are disregarded for the purpose of recommended CIL rates, as the sites would remain in their current use, unless other (non-CIL related) factors were to change.

	BLV1	BLV2	BLV3	BLV4
Value 4	#N/A	#N/A	#N/A	#N/A
Value 5	#N/A	#N/A	#N/A	#N/A

Table 4.5: Site type 4 West (35 flats 55 uph)- maximum viable rates of CIL (£s per square metre)

Site type	Site type 4- 35 unit			
	BLV1	BLV2	BLV3	BLV4
Value 6	#N/A	#N/A	#N/A	#N/A
Value 7	#N/A	#N/A	#N/A	#N/A

Table 4.6: Site type 5 East (75 Houses & flats 180 uph) - maximum viable rates of CIL (£s per square metre)

Site type	Site type 5- 75 unit			
	BLV1	BLV2	BLV3	BLV4
Value 1	335	335	335	335
Value 2	335	335	335	335
Value 3	335	335	335	335

Table 4.7: Site type 5 Central and West (75 Houses &Flats 90 uph) - maximum viable rates of CIL (£s per square metre)

Site type	Site type 5- 75 unit			
	BLV1	BLV2	BLV3	BLV4
Value 4	#N/A	200	200	200
Value 5	#N/A	10	200	200
Value 6	#N/A	#N/A	200	200
Value 7	#N/A	#N/A	200	200

Table 4.8: Site type 6 (125 flats 125 uph) West, East and Central - maximum viable rates of CIL (£s per square metre)

Site type	Site type 6- 125 unit			
	BLV1	BLV2	BLV3	BLV4
Value 1	335	335	335	335
Value 2	#N/A	335	335	335
Value 3	#N/A	#N/A	#N/A	#N/A
Value 4	#N/A	#N/A	#N/A	#N/A
Value 5	#N/A	#N/A	#N/A	#N/A
Value 6	#N/A	#N/A	#N/A	#N/A
Value 7	#N/A	#N/A	#N/A	#N/A

Table 4.9: Site type 7 Central and East (125 Houses &Flats 250 uph) - maximum viable rates of CIL (£s per square metre)

Site type	Site type 7- 200 unit			
	BLV1	BLV2	BLV3	BLV4
Value 1	335	335	335	335
Value 2	335	335	335	335
Value 3	335	335	335	335
Value 4	#N/A	200	200	200
Value 5	#N/A	50	200	200

Table 4.10: Site type 7 West (200 Houses & flats 100 uph) - maximum viable rates of CIL (£s per square metre)

Site type	Site type 7- 200 unit			
	BLV1	BLV2	BLV3	BLV4
Value 6	#N/A	#N/A	#N/A	#N/A
Value 7	#N/A	#N/A	#N/A	#N/A

Qn4j. Do any issues arise out of the further information that has been supplied on these matters?

10.14 The council will await further comment from BG or other respondents.

Qn4k. In circumstances where a development would be viable without CIL is there a serious risk that the buffer would be insufficient for the residential development envisaged in the Local Plan to remain viable without significant risk to other objectives such as the delivery of affordable housing?

10.15 BNPPRE's analysis has identified that the CIL charges as proposed would account for no more than 5% of development costs in the lower value areas (west of the borough) and all the other development charges amount to less than 2% and 1% of development costs respectively. BNPPRE have advised that in their experience and professional opinion a charge of this magnitude is unlikely to put development at risk. In developments which are so marginally viable it is not considered that increasing the buffer from the maximum CIL rate would be the defining factor in allowing the scheme to come forward; it is likely that there could potentially be more complex viability issues preventing a scheme coming forward (rather than the CIL). The council notes that no evidence has been submitted by the representors to demonstrate that the proposed level of buffers adopted would put the delivery of the Local Plan at risk.

10.16 It is key to recognise that CIL is not a wholly new charge; it will replace the majority of S106 contributions previously required and as such it would be unreasonable to expect developments not to contribute towards the delivery of necessary infrastructure. The provision of infrastructure is also a key requirement of the Local Plan and without this development cannot be considered to be sustainable. Also worth noting is that the Viability Assessment (IMP01) tested the cost implications of the Policy Options for the Local Plan and this included a policy requiring 70:30 tenure split for affordable housing and a commitment to providing Lifetime Homes, neither of these policies were then taken forward to the Proposed Submission Local Plan. In fact the tenure split opted for is a 60:40 split and the Lifetime Homes reference was removed. The policy costs tested will have decreased therefore since the Viability Assessment was undertaken and used to inform the choices made in the development of the Proposed Submission from the Policy Options stage.

10.17 Furthermore BNPPRE have undertaken analysis of the change in build costs and sales values since the Viability Assessment (IMP01) was undertaken. These results demonstrate that the outcomes from the sensitivity testing of +10% sales values and +5% build costs (Appendix 9, IMP01) are more accurate when assessing the viability position today, than some of the baseline appraisals. The Land Registry index database identifies that average sales values have increased in Hounslow by 17.55% between October 2013 and December 2014 (the most recent date of available residential information available). The BCIS database General Building Cost Index identifies a 1.88% increase in build costs over the corresponding period of October 2013 to December 2014 and the BCIS All-in-Tender Price Index reflects an increase of 7.14% over the same. It should be highlighted that those developers who tender will face the higher costs, however not all developers in the Borough will do so. Those who do not could achieve build costs in line with the General Building Cost Index.

Session 14 – Community Infrastructure Levy

11. RETAIL DEVELOPMENT - DEFINITION

Qn1a. Is the definition of retail warehouses sufficiently clear and precise?

11.1 This definition has gone through examination in other areas and has been found to be a clear, appropriate and enforceable definition which has been adopted in a number of local authority charging schedules in London.

Qn1b. Unless further defined would ‘other ranges of goods’ include comparison items such as clothing, and shoes and is there viability evidence to exclude them?

11.2 Yes ‘other ranges of good’ would include comparison items such as clothing, shoes. There is no viability evidence to exclude them.

Qn1c. If clothing and other comparison goods are excluded, how would mixed use developments of qualifying and non-qualifying goods be addressed?

11.3 This is not applicable as clothing and other comparison goods are included within the definition.

Qn1d. For a retail park would it always be known at the date of determination what goods would be sold in which units?

11.4 Not necessarily unless the planning consent restricts the uses. However in light of answers above this would not be an issue of concern.

Qn1e. Why is it necessary to define the goods to be sold in retail warehouses and to separate convenience stores from other development rather than to rely on floorspace alone?

11.5 As set out at paragraph 6.30 of the Viability Assessment (IMP08), size does not necessarily result in higher values generated by these retail units. Therefore to only rely on size of unit would be to subject other types of retail which do not achieve these higher values to an inappropriate CIL rate, which could stifle development. Accordingly a definition of the types of retail for which the factors listed at paragraph 6.30 are common is provided, along with a size threshold which is established through evidence from the VOA. For clarity the council proposes that the words ‘convenience-based’ could be removed from the definition.

<u>Table 1: Proposed rates for Hounslow CIL</u>

*~~Convenience-based~~ ~~s~~**S**upermarkets or superstores and retail warehousing creating net additional space of over 280 m^2 or where the gross retailing space is over 280 m^2.*

Qn1f. Would the viability of development of units above 280 sq m vary between town centres and out of centre sites?

11.6 It is acknowledged that size does not necessarily result in the higher values, rather, is it a combination of factors including:

11.7 The availability of car parking;

- The operational economics of supermarkets/superstores (these uses are known to be efficient at generating volume sales whilst having low operating costs);
- The rents that retailers are willing to pay to occupy these units tend to be high (particularly with regard to comparison retailing as these locations will command prime rents in the borough);
- The value which the investment market ascribe to such units is high, this is due to such units being occupied by operators with greater covenant strength, which results in lower yields being applied; and
- Such large developments are also likely to come forward on sites which have lower existing use values i.e. a large majority of large retail units have historically been developed on former industrial sites and as a result a lower benchmark land value is achieved, which results in a higher surplus and consequently a potential for a higher CIL rate.

11.8 In BNPPRE’s experience units which attract such national occupiers are all, with a small number of exceptions, larger than the Sunday Trading Law threshold of 280 square metres. BNPPRE are also aware following research that such occupiers published space requirements when seeking sites as identified on their websites that confirms this position. This does not vary between town centre locations and out of centre sites.

11.9 In this instance it is not the actual size nor the location of the unit affecting viability but rather the nature of the tenant/ occupier of such units that determines viability, as the national occupiers have a stronger covenant strength and therefore a keener yield. Yield differentials have a significant bearing on the outcome of a development appraisal. At a yield of 8% our appraisals indicate that a retail development of 280 square metres is unlikely to generate surplus residual values above the value of current floorspace i.e. such development is considered to be unviable (at this yield it assumes a local occupier). As highlighted above, due to the covenant strength of the large national retailers, investment yields are lower, resulting in a higher capital value. Adopting a lower yield of 5% shows that the proposed CIL can be accommodated.

Qn1g. Does viability vary between convenience stores and other retail development and, if so should that be reflected in a different levy rate?

11.10 Yes, BNPPRE have identified in the Viability Assessment (IMP08) that there is significantly reduced viability for all other retail with exception to supermarkets/superstores and retail warehousing over 280 sq m. As a result, the council is proposing a £20 nominal rate on these retail uses.

12. RETAIL DEVELOPMENT – VIABILITY AND LEVY RATE

Qn2a. Is there any evidence to support a different level of uplift over existing use values?

12.1 The council is not aware of any evidence to support a different level of uplift over existing use values.

12.2 In the BNPPRE appraisal it has assumed that commercial uses could currently accommodate one of three existing uses (i.e. thereby allowing the site to be assessed in relation to three current use values (CUVs)) and the development involves the intensification of the site. Following local market research into secondary commercial space, BNPPRE has assumed lower rents and higher yields for existing space than the planned new floorspace. A 15% -20% landowner premium is added to the resulting existing use value as an incentive for the site to come forward for development. The actual premium would vary between sites, and be determined by site-specific circumstances i.e based on the perceived investment value of the property, so the 15% -20% premium has been adopted as a 'top of range' scenario for testing purposes.

12.3 The RICS guidance note recognises that for a development to be financially viable, any uplift from current use value to residual land value that arises when planning permission is granted should be able to meet the cost of planning obligations while ensuring an appropriate Site Value for the landowner and a market risk adjusted return to the developer in delivering that project (the NPPF refers to this as 'competitive returns' respectively). The return to the landowner will be in the form of a land value in excess of current use value…") as well as the Harman Group guidance; the latter being directly relevant to planning policy testing. There is no evidence to support a different level of uplift over existing use; however the amount usually prescribed by the industry is between an uplift of between 10%-30% over the current use value.

12.4 Clearly, however, landowners have expectations of the value of their land which often exceed the value of the current use. 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.

Qn2b. Will the Council please supply the evidence of the other typology appraisals that they have done?

12.5 Viability consultants BNPPRE have modelled three typologies to test convenience retail uses with 5,000 sq ft (465 sq m) (as per the viability assessment) and 10,000 sq ft (929 sq m), and 16,146 sq ft (1,500 sq m).

The Build Cost Information Survey ("BCIS") differentiates build costs for Hypermarkets, Supermarkets under the following thresholds:

12.6 Generally; Up to 1,000 m2; 1,000 to 7,000 m2; 7,000 to 15,000 m2; Over 15,000 m2

12.7 In the Viability Assessment (IMP01) BNPPREs assessment of the 5,000 sq ft (465 sq m) convenience store the BCIS cost for "Hypermarket, Supermarkets- Generally " was adopted which was £1,211 sq m at the time the assessment was undertaken. The same build cost was adopted for the 10,000 sq ft (929 sq m) scheme.

12.8 In order to assess the 1,500 sq m scheme which attracts a different build cost BNPPRE adopted the build cost for 1,000 to 7,000 sq m which was £1,241 per sq m. This resulted in a reduced viability result and demonstrated that based on CU2 the maximum CIL rate that could be sought would be £191 per sq m. However, the 30% buffer from the maximum CIL rates allows the £155 per sq m rate as proposed by the council to be supported by the scheme.

12.9 The build costs for “Hypermarket, Supermarket” on units of 7,000 sq m to 15,000 sq m are £908 sq m, which would only serve to improve the viability should any further modelling be undertaken.

12.10 BNPPRE has sought to test an appropriate range of developments likely to come forward within the Borough. We do not consider that supermarket/superstore units of 10,000 sq m would have a worse viability profile in light of the significantly reduced build costs identified. We would also highlight that despite their comments, none of the representors have provided any evidence to substantiate their assertions that different charges should be set.

12.11 Paragraph 19 of the CIL Guidance in the NPPG prescribes that a “charging authority should use an area-based approach, involving a broad test of viability across their area, as the evidence base to underpin their charge”. This process does not have to be exhaustive rather the charging authority “must use ‘appropriate available evidence’ to inform their draft charging schedule. The Government recognises that the available data is unlikely to be fully comprehensive.”

12.12 The council is satisfied that they have undertaken testing of a suitable range of typologies for this use classes that clearly demonstrates that the proposed rate can be supported.

Qn2c. Does a £191 maximum levy rate for a 1,500 sq m store indicate a reduced buffer of 23% against the claimed buffer of 30%?

12.13 Following the initial CIL viability testing at the PDCS stage, viability consultants BNPPRE recommended a CIL charge of £155 per sq m reflecting a 30% buffer on the maximum CIL rate identified of £219 based on CUV 2 of the 10,000 sq ft (929 sq m) scheme tested. The 1,500sq m scheme appraisal was included in the DCS stage following a request to test this type of scheme to ensure that the CIL rate would still allow such developments to come forward. This appraisal identifies a marginally reduced maximum CIL rate of £191 sq m can be levied based on CUV 2, however that a CIL charge of £155 per sq m would still be more than viable on such schemes. In this regard it demonstrates that the 30% buffer adopted on the PDCS appraisals is appropriate as it ensures that a variety of such stores can viably come forward with the proposed CIL charge.

12.14 BNPPRE highlight that there is no prescribed level of buffer that a charging authority is required to adopt; this is entirely a matter for the charging authority's judgement when striking the appropriate balance. The CIL Guidance and regulations simply require the CIL charge not to be set at the margins of viability (Paragraph: 019 Reference ID: 25-019-20140612) i.e. it builds in an appropriate buffer to allow for differences between sites (including any potential variance in sales values, rents, yields and build costs) coming forward and ensures that development can viably come forward.

12.15 CIL Regulation 14 states that the CIL charge 'must strike an appropriate balance between' the desirability of funding infrastructure from the levy and 'the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area'. In this regard the council deemed a 30% buffer based on the evidence presented at the PDCS stage to be an appropriate allowance to ensure development could come forward. This is clearly demonstrated by the further analysis done on the 1,500 sq m scheme at the DCS stage, which can viably come forward at the proposed CIL level of £155 per sq m.

Qn2d. Is there an explanation for why a 10,000 sq m store would have a higher maximum CIL of £219?

12.16 The scheme tested as part of the consultation period was a 10,000 sq ft (929 sq m) retail unit, not 10,000 sq m (set out correctly in the council's response to Sainsbury's Supermarkets Ltd and Morrison's Supermarkets Plc representations). The ability to £219 to support the maximum CIL rate on the 10,000 sq ft store is as a result of a lower build cost in comparison to the 16,146 sq ft (1,500 sq m). Should a 10,000 sq m scheme be tested, viability would improve as build costs for schemes of 7,000 m2 to 15,000m2 are £908 per sq m.

Qn2e. A 20% profit rate is widely used in such appraisals. Is there any evidence to support a different profit rate as typical for such development?

12.17 The council is not aware of any evidence to support a different profit rate as typical for such a development.

Qn2f. What evidence is there to support (i) the existing retail rental values used in the Viability Study or (ii) any other existing retail rental values on sites that could be developed for stores of this type?

12.18 Viability consultant, BNPPRE, has undertaken a significant amount of research on retail rents across the Borough in order to inform the appraisals. It is noted that no evidence has been provided by the representors to indicate that the assumptions made by BNPPRE are incorrect.

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Qn2g. Is there any evidence to support a different demolition cost as typical for such development?

12.19 The council is not aware of any evidence to support a different demolition cost as typical for such a development.

Qn2h. Is there any evidence to support a different contingency allowance as typical for such development?

12.20 The council is not aware of any evidence to support a different contingency allowance as typical for such a development. In the experience of viability consultants BNPPRE, an allowance of 5% is a sufficient allowance to account for unforeseen costs in an area wide and site specific studies.

Qn2i. How likely is it that a convenience store would replace average value residential dwellings except as part of a mixed development that was previously in a lower value non-residential use such as industry?

12.21 Given the values of residential development in Hounslow it is highly unlikely that the commercial market would support such a scheme. This type of scheme would also be contrary to the London Plan Policy 3.14 Existing Housing, which states that loss of housing should be resisted and the Local Plan Policy SC1 which seeks to maximise the supply of housing in the borough. An application would therefore be likely to be refused planning permission on the grounds of a net loss of residential units.

Qn2j. What evidence is available from previous S106 contributions that may indicate an average S106 sum?

12.22 Evidence from previous S106 contributions would not indicate a relevant average S106 sum for estimations of future S106 contributions, particularly once the April 2015 implementation date set by CIL Regulation 123(3) has passed and the council is no longer able to collect and pool S106 contributions as before. Given these circumstances a much reduced sum is expected for future S106 contributions than previously would have been received. It is noted that Para 18 of the LB Merton Examiner's report on their Draft CIL Charging Schedule identifies that:

12.23 'A significant assumption made for the inputs for all the retail types is that after the CIL is introduced, section 106 costs would be zero. This does not so much reflect an expectation that this would be the case, but more the difficulty of judging an appropriate input when S106 costs for site-specific works (such as highway access) would be likely to vary considerably from site-to-site. Assuming a fixed sum for S106 costs where circumstances vary widely would be no more accurate than the working assumption of zero costs. The approach is a reasonable choice in the circumstances, subject to a sufficient buffer in the overall assessment of viability.'

Qn2k. What items for CIL spending on the Regulation 123 list would replace S106 contributions for retail or other commercial development?

12.24 Retail and other commercial developments will have impacts on the transport network and may also need to be supported by public spaces, green and blue infrastructure, leisure and cultural facilities and connectivity improvements. While the CIL Regulations do not require the council to link the impact of specific developments or types of developments to items on the Regulation 123 list to justify charging a CIL rate for a particular use (and effectively sever this link), there is a clear connection between the types of S106 items which can no longer be sought from such developments and items which CIL is intended to fund. S106 and S278 payments would still be sought for site specific mitigation.

Qn2l. Would the absence of an instalments policy affect (i) the outcome of the viability study? and (ii) the size of the claimed buffer of the proposed levy rate below the maximum levy rate?

12.25 The model used to assess the viability of commercial schemes does not test an instalments policy; all costs to the development are upfront. The allowance of payment in instalments will assist to a small degree with improving viability as it assists with the cashflow. The council considers instalments policies to have minimal impact on viability since in line with the Government's CIL Regulations, they must be based on fixed points of time from commencement rather than be based on events (such as sales or occupation). Therefore once a development scheme starts construction, lenders view

CIL as a fixed committed cost, whether it is paid after 60 days or 180 days or 360 days etc.

Qn2m. Would there be a sufficient buffer to allow for variations in costs and values without significantly affecting delivery of the Local Plan's objectives?

12.26 The council believes that is has allowed for a sufficient buffer, as recommended by the viability consultants BNPPRE. As previously identified the CIL regulations and guidance do not prescribe a percentage buffer, this is entirely a matter for the Charging Authority's judgement. The CIL Guidance simply identifies that, *'A charging authority's proposed rate or rates should be reasonable, given the available evidence, but there is no requirement for a proposed rate to exactly mirror the evidence. For example, this might not be appropriate if the evidence pointed to setting a charge right at the margins of viability. There is room for some pragmatism. It would be appropriate to ensure that a 'buffer' or margin is included, so that the levy rate is able to support development when economic circumstances adjust'*.

13. CHARGEABLE FLOORSPACE - CAR PARKING

Qn3a. Does the Viability Study make any allowance for the costs of constructing covered parking?

Qn3b. Would covered parking add any more value to a retail development than surface parking which would not be subject to the CIL levy but which would require more land?

Qn3c. Is the schedule clear as to whether covered ancillary parking for a development would be charged at the full rate for that development or at a nominal rate?

Qn3d. Is there any evidence that the CIL levy on covered parking would affect viability of retail or other development?

13.1 The council has chosen to charge a nominal rate on car parking which is liable for CIL. This has been set at level that is so low it is unlikely to be the determining factor in the viability of a development. Car parking generates value as part of a commercial or residential development and this added value is often intrinsic to the viability of the wider scheme. Where car parking forms gross internal floorspace of a development it is liable for CIL in line with the Government's CIL Regulations, regardless of Valuation Office ratings. All such development has been subject to Mayoral CIL since April 2012, and it is proposed such space be liable for Hounslow CIL on a consistent basis.