HOUNSLOW JOINT LOCAL PLAN EXAMINATION &

COMMUNITY INFRASTRUCTURE LEVY EXAMINATION

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SESSION 13 – COMMUNITY INFRASTRUCTURE LEVY

Inspector’s Agenda with Matters, Issues, and Questions

[The attention of participants in the hearing is drawn to the Procedural Guidance Notes]

1. INFRASTRUCTURE

1.1 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.

1.2 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?

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

1.3 A number of Representors make comments on specific items of infrastructure that are or should be provided. Whilst the Council is required to publish a Draft Regulation 123 list of infrastructure, this is expressed in broad terms and may be revised at any time. It is beyond the scope of this examination to test every item on that list and to seek unnecessary detail about specific projects.

1.4 Berkeley Homes (294) queries whether the reduced rate of S106 contributions risks a loss of funding for necessary public realm improvements to support development. The Council responded that it would publish its draft Planning Obligations and CIL SPD for consultation in December and this will provide some further certainty on how different types and scales of infrastructure will be delivered through S106 agreements and CIL. This issue will also be considered in the development of governance arrangements for CIL which are being established.

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

2. NOMINAL RATE FOR OTHER TYPES OF DEVELOPMENT

2.1 Retail development will be considered at Session 14. Education, healthcare and emergency facilities would be subject to a nil rate.

2.2 For a number of other types of development the Viability Study concluded that a specific CIL levy would not be appropriate. This was either on the grounds of a lack of viability or because little development of that type would be possible. Examples would include hotels, industry, storage, offices, theatres, cinemas, and gyms. In those cases the Study recommended that either a nil or nominal CIL rate should be applied. The Council has proposed a £20 rate which it considers to be nominal.

2.3 A number of Representors including SB Hotel Group (3249), SEGRO Plc (3303), Universities Superannuation Scheme (2307 – written representations), and British Airways (3064 – written representations) suggest that there is a lack of viability evidence to support the £20 nominal rate that is now proposed. Comparisons are made with other authorities that have lower or nil nominal rates.

2.4 The Council responds that the CIL charge would replace the majority of S106 and S278 contributions previously required, that it would be unreasonable to expect developments not to contribute to infrastructure, that the nominal rate would be so small a proportion of GDV (eg hotel 0.34%, industrial 0.85%, office 0.31-0.57%) as not to be the determining factor in scheme viability and that no evidence has been submitted to demonstrate harm to viability.

Qn2a. How was the £20 rate determined?

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?

2.5 The Theatres Trust (1394 – written representations) seeks the exemption of community and cultural facility development including theatres from the nominal rate and suggests that not all theatres would be exempted on the grounds of charitable status.

2.6 The Council responds that commercial non-charitable theatres should pay the nominal rate.

2.7 Leisure and cultural facilities are included on the Draft Regulation 123 list as infrastructure that is needed to implement the Plan. Some transport infrastructure on the 123 list may also be affected.

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

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?

2.8 SEGRO Plc (3304) raise a specific point about the Council's approach to BREEAM sustainability requirements in relation to development viability. The Council responds that whereas Proposed Local Plan Policy EQ2 would require new non-residential development to meet a BREEAM rating of Excellent, LP Policy IMP1, as amended, would allow for policy requirements to be reduced or removed in some circumstances. The policy allows that this could include where it would not be possible to deliver development critical to the plan and there are positive benefits to the community that outweigh non-compliance. Other aspects of that policy are due to be considered in Session 10. However this is a joint examination and there may be implications for viability in combination with CIL.

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?

3. INSTALMENTS AND EXCEPTIONAL CIRCUMSTANCES

3.1 The Viability Study assumed that CIL would be payable in instalments. Whether that would be the case and what instalments were used would be a matter for the Council and outside the scope of this Examination of the Charging Schedule. However the implication of not requiring payment by instalments or adopting significantly different instalment periods would potentially affect viability and might itself require a review of rates if it threatened development viability.

3.2 Berkeley Homes (294) has queried the difference between the Viability Study and the Mayor's CIL instalments policy. The SB Hotel Group (3249) seeks the adoption of an instalments policy at the same time as the CIL schedule. The Council does not consider that there is a material difference but states that it will continue to engage with the development industry before finalising a policy. A policy is not required for the examination.

Qn3a. Any further comment on this matter?

3.3 Whether the Council adopted a policy of Exceptional Circumstances Relief is also outside the scope of this examination. The Council has indicated that it does not intend to do so. However it has the discretion to do so later should viability become an issue that may affect plan delivery.

3.4 The SB Hotel Group (3249) argues that the council should operate an exceptions policy to ensure the CIL does not threaten the viability of development due to the fact that the viability study indicates most forms of development cannot justify a CIL charge. The Council responds that it has no plans to operate an exceptional circumstances policy as the proposed CIL rates have been viability assessed. This is consistent with the approach currently taken for Mayoral CIL. Should circumstances change the council will review its CIL rates if they are proven to have become be too high, or too low.

Qn3b. Any further comment on this matter?

4. RESIDENTIAL DEVELOPMENT

4.1 For charging purposes the Draft Charging Schedule (CIL01) divides the Borough into 3 Zones for residential development, each with a different rate. The rate would be highest in Zone 1 (East) at £200 per square metre and lowest in Zone 3 (West) at £70 per square metre. In Zone 2 (Central), the rate would be £110 per square metre.

4.2 The Berkeley Group (294) (BG) is active in residential development in the Borough and has made a number of representations (CIL08). These query the CIL and Local Plan Policies Viability Study (IMP01) that underpins the above rates. BG suggests that the CIL rates would put at risk residential development across the Borough and particularly in strategic locations and on strategic sites. The representations in part refer back to previous representations at the Preliminary Draft Charging Schedule stage and were also supplemented by an Addendum after the Council provided an additional table (CIL08).

4.3 Specific claims and the responses of the Council (LBH) are, in summary:

4.3.1 BG - Build costs are too low

4.3.2 LBH - Building costs are based on the Building Cost Information Survey adjusted for Hounslow and there is no submitted evidence to support increased build costs

Qn4a. Why should BCIS costs not be used?

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

4.3.3 BG - There are unexplained variations in base costs between site typologies

4.3.4 LBH - Variations are explained by different combinations of houses and flats

Qn4c. Does BG accept the Council's explanation?

4.3.5 BG - Professional fees for the strategic sites should be 12%, not 10%

4.3.6 LBH - No evidence has been provided to support increased professional fees

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?

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

4.3.7 BG - 3% marketing costs are too low (no alternative is suggested)

4.3.8 LBH - No evidence has been provided to support increased marketing costs

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

4.3.9 BG - The construction period for large sites should match the sales period

4.3.10 LBH - The sales period would be longer than the construction period as homes are often sold off-plan in London but sensitivity testing suggests that matching the two periods would have no impact on viability

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

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

4.3.11 BG - An instalments policy can affect viability and is assumed in the viability study but differs from that for the Mayoral CIL and the Council has not committed to a policy

4.3.12 LBH - Instalments policy is not required for the examination and Mayoral policy would not affect viability - developers would regard CIL as a fixed cost

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

4.3.13BG - The table of strategic sites lacks information such as site identity, phasing of CIL payment, gross to net ratio for flats, density and site area

4.3.14LBH – The requested further information has been supplied

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

4.4 The Viability Study at paragraph 1.6 concluded that some residential development typologies were unviable in some circumstances due to market factors, even with 0% affordable housing, and particularly in the West. This would include sites with high existing use values. Therefore such sites would not come forward for development with or without CIL, unless market conditions change.

4.5 Where a scheme is viable in market terms the Study also concluded that the cumulative effect of CIL and Section 106 contributions would mean that some schemes would accommodate less affordable housing. Sustainable construction standards would also affect costs. A flexible approach was recommended to sustainability, affordable housing and S106 contribution requirements.

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?