

DP4577/JS

13 March 2020

Lambeth CIL team
PO Box 734
Winchester
SO23 5DG

DP9 Ltd
100 Pall Mall
London SW1Y 5NQ

Registered No. 05092507

telephone 020 7004 1700
facsimile 020 7004 1790

www.dp9.co.uk

Dear Sir/Madam,

LONDON BOROUGH OF LAMBETH CIL: CONSULTATION ON THE DRAFT CHARGING SCHEDULE

On behalf of SIXTYFIVE House S.a.r.l (HB Reavis UK Ltd)

Please find below representations on the Draft Charging Schedule ('DCS') submitted on behalf of SIXTYFIVE House S.a.r.l (HB Reavis UK Limited) subsequently referred to as 'HB Reavis', owners of Elizabeth House in Waterloo.

HB Reavis are currently taking forward major proposals for the site, in order to deliver a landmark new office building for Lambeth and to provide transformational changes to the public realm and access at Waterloo Station, the UK's busiest train station. Delivering such an aspirational scheme presents significant challenges and we are committed to working in partnership with the Council to deliver the best scheme for the site, for Waterloo and for the borough. HB Reavis are working towards securing planning permission in Spring 2020, with the aim of starting work on site shortly thereafter. It is within this context that we are submitting representations on the DCS.

HB Reavis previously submitted representations to the Preliminary Draft Charging Schedule (the 'PDCS') in December 2018, a copy of which is enclosed for reference. We note that in response to our representations on the Council's instalments policy, the policy was revised and so we are grateful for this change. The change acknowledged the very significant financial burden that the combined Borough and Mayoral CIL liability places on the redevelopment of Elizabeth House, but we wish to continue to seek further changes that will reduce the challenges to delivering new office development at Waterloo.

We wish to comment on the following updated documents published as part of the consultation process:

- The Infrastructure Delivery Plan
- The DCS



- Local Plan and Community Infrastructure Levy Viability Review

The Infrastructure Delivery Plan

We wish to make the following comments on the draft Infrastructure Delivery Plan ('IDP'):

- At page 27 of the document, under Waterloo Public Realm Projects, 'Victory Arch Square' is listed. It is not clear what element of the total cost of £30m is attributed to this space, however a funding gap of £29.6m is indicated suggesting that only £0.4m has been allocated for all of the projects. The Elizabeth House planning application includes works to deliver Victory Arch Square which are being committed to through the section 106 agreement. These works are estimated to cost approx. £3.8m, and so this should be reflected in the IDP; and
- At page 31 of the document, step free access to the Northern Line at Waterloo Station is identified. HB Reavis have increased the level of funding being provided to this project through the section 106 agreement for Elizabeth House from £1.7m to £2.2m, as well as facilitating and delivering the works on their site. The element to be provided as an Infrastructure Payment through Lambeth CIL (if approved by the Council) will in turn reduce to £2.3m and so this should also be reflected in the IDP.

We consequently request that the IDP is updated to reflect these minor changes.

The DCS

We wish to maintain our objection to the proposed increase in office rates within Zone A – Waterloo and Vauxhall. We do not consider that they strike an appropriate balance between the desirability of funding infrastructure and the potential impact upon the economic viability of development in this area. Specifically, we consider that in combination with other factors they will make the delivery of the necessary office floorspace required by policy in Waterloo unviable.

We continue to have significant concerns in relation to the proposed rates, principally on the grounds of the cumulative impact that would result from Lambeth's proposed higher CIL rates in combination with three other key demands on office development in Waterloo and at the Elizabeth House site in particular:

- The Mayor's CIL which came into effect on 1st April 2019;
- The policies contained within the Draft London Plan and Draft Lambeth Local Plan which seek the provision of an element of affordable workspace in office developments; and
- The critical need for strategic public realm and transport improvements that can only be provided through site-specific works and mitigation on the Elizabeth House site.

The Council resolved to grant planning permission for the redevelopment of the Elizabeth House site in October 2019. The proposals include a very significant package of CIL and S106 contributions towards the delivery of infrastructure and other planning benefits in Lambeth, including inter alia:



- Est. £25,696,029.6 of Mayoral CIL
- Est. £23,571,739.91 of Lambeth CIL
- Approx. £17.7m of public realm works to the Waterloo Station environs
- Affordable workspace totaling £33.27m
- Contribution towards step free access for the Northern Line at Waterloo Station of £2.2m
- Further financial contributions totaling approx. £4m

These contributions amount to approx. £106m, which equates to £590 per sq m of office GIA floorspace. This amounts to a 48% increase in cost per sq m over a previous planning permission for office and residential use which was granted planning permission only 4 years previously, in 2015, representing a significant additional burden. A further increase would present increased risk, either if planning permission is not secured prior to the new charging schedule taking effect, or if an amended or new application became necessary in order to deliver this incredibly challenging and complicated project. Our concern extends to other future office development in Waterloo. We support the creation of a thriving office district at Waterloo, with South Bank Place and Elizabeth House at its heart, and are concerned that setting CIL rates too high will discourage further growth which will in turn restrict further improvements to the public realm and transport infrastructure.

We continue to have significant concerns about the ability of office development in Waterloo to absorb such a massive increase in CIL rates and overall planning gain, and meet all the other strategic and local requirements that are placed upon it.

Viability Study

Comments on the Viability Study are provided by DS2 in their enclosed statement. In summary they consider that the relevant evidence in the form of the Evidence Base does not yet support the increase of the CIL liability for offices in Zone A. It is DS2's opinion that increasing the rates over and above the existing CIL liabilities from the 2014 Charging Schedule (as indexed), as is proposed, places significant additional financial burden on development projects. These projects, such as Elizabeth House, are already contributing to planning gain in a significant manner and the acceleration of the development of this part of the Southbank which has been left behind in respect of submarkets to the south and east. The increase in financial liabilities puts the delivery of office space, and the strategic objectives of the Development Plan, at risk.

Conclusion

In setting its revised CIL rates, Lambeth will determine whether office development in Waterloo does or does not come forward, and also whether it does or does not deliver the wider local and strategic benefits that the Council and its residents require.

The Council submitted strong representations to the Mayoral CIL2 consultation process, seeking justification for the significant increase in CIL rates in Vauxhall and Waterloo. It raised particular concern about “the impact that MCIL2 will have on development coming forward in the borough at a time of growing economic uncertainty”, and in particular “the impact on development coming forward



to drive London's economic future in Waterloo and Vauxhall".

The representations further state that "The Council does not agree with these assumptions as whilst the Council has granted planning permission for major development in Waterloo and Vauxhall, for the most part, these permissions have yet to be implemented and there is every indication that they may not be implemented in their current form. Adding a further charge is going to exacerbate this difficulty and prevent the Council from bringing forward much needed jobs and affordable homes."

In their own representations, Lambeth conclude that "Substantial investment in public transport in Waterloo continues to be necessary to facilitate the intensification of commercial, residential and cultural facilities associated with a major transport hub, a major office location and a Strategic Cultural Area."

We consequently question why the Council is still proposing to add its own additional charge on top of the Mayor's 'further charge' to which it had previously objected. HB Reavis agreed with Lambeth in its opposition to the higher Mayoral CIL 2 charge for Waterloo, and that further charge has resulted in the planning permission for Elizabeth House being unable to deliver the full range of strategic improvements to Waterloo Station that it could have delivered had the charge been kept at the lower rate (for example by having to request an Infrastructure Payment of £2.3m from the Council to secure step free access to the Northern Line). Increasing the Lambeth CIL rate will draw further funds away from necessary improvements to Waterloo, and potentially threaten the delivery of more offices in Waterloo entirely.

Further representations and appearance at the Examination in Public

We reserve our right to supplement these representations in due course, and respectfully request that they be taken into account. We wish to be informed of the next stages of the Charging Schedule review, including the Examination in Public.

Should you have any queries or require further information, please contact [REDACTED] of this office.

Yours sincerely,

[REDACTED]
**Senior Director
DP9 Limited**

Encs.