

**LB Lambeth Community Infrastructure Levy Review
Council’s response to Examiner’s Question EQ1
23 April 2021**

1. I have now completed an initial study of the Local Plan and Community Infrastructure Levy Viability Review by BNP Paribas Real Estate, dated December 2019, other submitted documentation and the representations made during the consultation period. From my reading of the Viability Review, there are a number of matters that I would like clarified or explained further.

2. Indexation

Table 2.40.1 shows how indexation has brought the CIL rates above the figures on the 2014 Schedule. But the indexation in that table is based on figures for November 2019 (footnote 11 on page 14). I presume that the November 2020 indexation is now available. Please supply the latest indexed figures for the proposed charges.

The updated figures included indexation to November 2020 are provided in an updated version of Table 2.40.1 below.

Updated Table 2.40.1 incorporating indexation to November 2020

Development type	Zone A – Waterloo and Vauxhall	Zone B – Kennington, Oval and Clapham	Zone C –Streatham, West Norwood, Streatham Hill, Tulse Hill, Brixton and Herne Hill
Residential	£265 (£369.23)	£150 (£209.00)	£50 (£69.67)
Hotel	£100 (£139.33)	Nil	
Office	£125 (£174.16)	Nil	
Industrial	Nil		
Large retail development	£115 (£160.23)		
Other retail	Nil		
Student accommodation	£215 (£299.56)		
All other uses	Nil		

3. Build and value assumptions

As explained in paragraph 4.13, build costs have been sourced from the RICS Building Cost Information Service, although no date is given, it is obviously pre-December 2019. Could I be given the latest figures from BCIS and the latest information on sales values.

The Study used BCIS data from June 2018 (i.e. Quarter 2 2018). At that time, the BCIS Tender Price Index stood at 326. At the current time (Quarter 2 2021), the Tender Price Index has increased to 329, a change of 0.31%.

Over the same period, the Land Registry House Price Index for the London Borough of Lambeth has also increased. In July 2018, the average property price was £512,374 and by February 2021, the average price had increased to £530,527, an increase of 3.5%.

Sales value growth therefore outstrips cost growth. Furthermore, changes in GDV have a greater impact on residual land values than costs, as GDV is higher than costs.

4. Benchmark land values

I note that on page 70 of the Consultation Report April 2019 on the Preliminary Draft Charging Schedule, there is a corrected Table 4.40.1. which sets out BLVs including premium. This must refer to a table in the previous version of the Local Plan and Community Infrastructure Levy Viability Review, which must have been dated some time before October 2018. That table, with the same errors, appears as Table 4.39.1 in the current report (LCX 04). The point of mentioning this is that the same figures are in both versions of the table – in other words the BLV have not been updated, although indexation, and I assume other figures have been. Is there a justification for this?

For the avoidance of doubt, the correct figures are those shown in Table 4.40.1 below. The table merely inverted the figures for pubs and industrial units between zone A and zone C. These inverted figures were not used anywhere else in the report.

Table 4.40.1: Benchmark land values including premium

Uses	Zone A	Zone B	Zone C
Offices	£75.00	£35.00	£25.00
Existing residential	£55.00	£29.00	£10.00
Public houses	£6.50 £30.00	£18.00	£30.00 £6.50
Industrial	£2.75 £7.50	£5.00	£7.50 £2.75

All of the inputs to the appraisals and the benchmark land values adopt a common starting date. It would have been inappropriate to update only one of the 'moving parts' of the assessment (e.g. the benchmark land values) without also updating the inputs to the residual appraisals (e.g. sales values, rents, build costs etc). Notwithstanding, there were no significant changes in the markets within which these uses operate which would have warranted any changes to the BLVs. Arguably market conditions for public houses worsened over the period, but the values have been maintained at the previous levels.

Incidentally, I notice that in the tables, eg 6.24.1 and 6.34.1, etc, what I assume to be BLV are noted in the headings as EUV. Please confirm that the figures include the premium.

Confirmed - these figures include a premium.

5. Mayoral CIL

At paragraph 5.5 it is stated that the appraisals incorporate the Mayoral CIL as an input cost of £60 m², whilst at paragraph 7.4 it is stated that "*in the parts of the borough within the Central Activities Zone, (more correctly Central London Charging Zone) (the charges are) £185 per square metre on offices, £165 per square metre on retail and £140 per square metre on hotels. Our appraisals reflect this higher Mayoral CIL rate*". However, as I understand, the Central London Charging Zone covers only part of CIL Zone A; please clarify if this means that the Central London Charging Zone rate has been applied in respect of offices, retail and hotels appraisals across the whole of the Zone, or if not, how these elements of MCIL2 have been allowed for.

For simplicity, the Mayoral CIL rates of £185, £165 and £140 per square metre for offices, retail and hotels respectively were applied across the whole of Zone A, given that the differences between the Central London charging Zone and Zone A are minor. This will mean that some of the schemes tested will not in practice make these additional payments and the surpluses they generate will be higher than shown in the Viability Study.

6. Residential rates

The second bullet point on page 5 states that the proposed CIL rates are summarised in Table 1.7.1 and then indicates an increase in Zone A to £400. However, the Table 1.7.1 at the bottom of this page shows a suggested £500 for Zone A (the other Zones have figures that match those in the bullet point mentioned). Please explain.

The text should have referred to a rate of £500 per square metre, as per Table 1.7.1.

7. Affordable workspace

On page 36 reference is made to the council considering an affordable workspace policy which will require a percentage of B1 office floorspace to be let at a discount to market rent for a period of time from first letting. It is noted, as picked up in bullet points 4 and 5 on page 4, that the impact is higher in Zone B, with a reduction of between 3.76% to 22.27% of the residual land value, depending on the extent and length of the discount. I am not clear how this has been resolved, bearing in mind that Zone B has the same proposed CIL rate as Zone A.

The policy taken forward into the submission version of the Draft Revised Lambeth Local Plan is that affordable workspace should be provided for a period of 15 years at a discount of 50%. Consequently, the potential impact of this policy is that residual land values will reduce by circa 5% in Zone A and circa 11% in Zone B. The higher reduction of 22.27% relates to affordable workspace secured for a 125 year period, which does not reflect the policy in the submission version of the Plan.

Following the Local Plan examination hearing, the Inspector proposed main modifications to the Affordable Workspace policy, as follows:

- The affordable workspace policy to be applied to the net uplift in floorspace, rather than the gross floorspace provided by a development, using the same principle as is employed for the determination of CIL.
- The 10% requirement is to be amended from GIA to NIA, which reduces the overall amount of affordable workspace required.

These modifications have since undergone public consultation and the representations received are currently being considered by the Inspector, prior to issuing his final report. If the Inspector's report requires these modifications for the Plan to be found sound, these changes will further reduce the impact of the Affordable Workspace policy on residual land values generated by office schemes.

Further information about the examination of the Draft Revised Lambeth Local Plan can be found on the examination webpage:

<https://beta.lambeth.gov.uk/planning-and-building-control/planning-policy-and-guidance/local-plan-examination>

8. Student housing

Bullet point 3 on page 4 refers to additional contributions from student housing schemes to fund affordable housing on other sites and states that "the Council could identify potential payments *once it has fixed its position on CIL* (my emphasis). It is vital however that the cumulative requirement leaves a sufficient buffer and is not set at the margins of viability". However, I cannot find where this is later referred to in the section 4 Appraisal assumptions or section 6 Assessment of appraisal results or how the italicised text above would be achieved.

Subsequent to finalising the CIL Viability Study, the Council confirmed that it no longer intended to seek financial contributions towards 'traditional' affordable housing products on other sites. The policy on purpose built student accommodation in the submitted Draft Revised Lambeth Local Plan (policy H7) does not include this requirement. The balancing exercise referred to in bullet point 3 on page 4 is therefore no longer required.

9. Build for rent schemes

Table 6.19.1 (pages 47/48) for Zone C uses (correctly) shows £25m for BLV 1, but for BLV2 and BLV3, uses £10m and £6.5m correctly for scenario C1, but then reverts to £25m for scenarios C2, C3 and C4. The same thing occurs for all of the zones in the BLV2 and BLV3 parts of the table.

These tables were incorrectly headed. Revised versions are attached as Appendix 1 to this response.

In addition, in the BLV1 part of the table, for Zones A and B, figures of £40m, £50m and £75M are used whereas Table 4.39.1 gives £75m for Zone A and £35m for Zone B.

The range of £50m to £75m for offices in Zone A reflects the fact that there will be a range of values, depending on the quantum of floorspace in existing offices.

The purpose of adopting two benchmark land values was to show the surplus for CIL reflecting this range.

Similarly, the tables adopt a range of £35m to £40m for offices in the 'potential new zone' and CIL zone B, reflecting the fact that there will be variations depending on the extent of floorspace on individual sites and small variations in rents.

Similarly, in the BLV2 part of the table Zone A (for scenario C1) uses £45m, not £55m. I also note that the 4th column of BLV2 scenario C1 has the £29m value, not the £10m value. Please explain.

These figures have been amended at Appendix 1 to this note.

10. Table 6.19.1 (page 47) is within the section on Build for rent schemes, and is headed 'Build for rent scheme results'. However, the left hand side headings are all 'Build for sale'. This follows from paragraph 6.19 which begins "We have tested schemes 5, 6 and 7 as build for sale". I am not clear what the relationship is in this section between build for sale and build for rent.

This reference is to the typologies which have been converted into build to rent schemes (i.e. build for sale typologies 5, 6 and 7). The scenarios (C1, C2, C3 etc) relate to the approach adopted to affordable housing delivery, as summarised in Table 4.8.1.

11. Sensitivity analysis

Appendix 3 shows the results of a sensitivity analysis. Paragraph 6.40 explains that this builds on the growth rates on sales values and costs identified in Table 4.3.1 (actually Table 4.4.1 in this version of the report). Table 4.4.1 shows growth scenarios for years 2017 to 2021 and 2022 and each year thereafter. As far as I can see, the tables in Appendix 3 do not indicate which year of growth is depicted. Please explain.

The sensitivity analyses apply the cumulative growth in values and inflation on costs over the five year period shown in Table 4.4.1. Cumulative growth in values equates to 17.6% and cumulative inflation on costs equates to 12%.

In addition, am I to understand that the figures for each typology are the maximum CIL rates having made the allowance for growth?

Correct.

12. Appendix 2 - I note that the heading for this on the first page is 'London Borough of Newham': nothing more than a typo I presume.

Correct, this should have read 'London Borough of Lambeth'.

Appendix 1: Replacement Table 6.19.1

BLV 1 Scheme	Units	Area	CIL Zone C				Potential New Zone	CIL Zone B	CIL Zone A		
			25,000,000	25,000,000	25,000,000	25,000,000	35,000,000	35,000,000	40,000,000	50,000,000	75,000,000
Build for sale - scenario C1			£7,500	£7,750	£8,000	£8,500	£9,000	£9,250	£9,965	£11,840	£15,000
5 Res5 - Larger low density scheme	150	0.60	£15,719,618	£17,196,080	£18,672,543	£21,625,470	£24,578,395	£26,054,858	£28,559,059	£37,623,596	£56,152,165
6 Res6 - Mid-size flatted scheme	225	0.40	£9,267,214	£12,427,141	£15,587,067	£21,906,922	£28,226,776	£31,356,719	£36,432,285	£55,440,416	£94,943,372
7 Res7 - large flatted scheme	300	0.60	£8,237,522	£11,046,347	£13,855,172	£19,472,821	£25,090,469	£27,872,639	£32,384,254	£49,280,371	£64,394,110
Build for sale - scenario C2			£7,500	£7,750	£8,000	£8,500	£9,000	£9,250	£9,965	£11,840	£15,000
5 Res5 - Larger low density scheme	150	0.60	£16,314,408	£17,790,870	£19,267,333	£22,220,260	£25,173,185	£26,649,648	£29,153,848	£38,210,087	£56,738,655
6 Res6 - Mid-size flatted scheme	225	0.40	£10,544,592	£13,704,520	£16,864,447	£23,184,303	£29,489,647	£32,616,275	£37,691,842	£56,699,973	£96,185,354
7 Res7 - large flatted scheme	300	0.60	£9,372,970	£12,181,795	£14,990,619	£20,608,268	£26,213,019	£28,992,244	£33,503,858	£50,399,975	£65,498,092
Build for sale - scenario C3			£7,500	£7,750	£8,000	£8,500	£9,000	£9,250	£9,965	£11,840	£15,000
5 Res5 - Larger low density scheme	150	0.60	£16,314,408	£17,790,870	£19,267,333	£22,220,260	£25,173,185	£26,649,648	£29,153,848	£38,210,087	£56,738,655
6 Res6 - Mid-size flatted scheme	225	0.40	£10,544,592	£13,704,520	£16,864,447	£23,184,303	£29,489,647	£32,616,275	£37,691,842	£56,699,973	£96,185,354
7 Res7 - large flatted scheme	300	0.60	£9,372,970	£12,181,795	£14,990,619	£20,608,268	£26,213,019	£28,992,244	£33,503,858	£50,399,975	£65,498,092
Build for sale - scenario C4			£7,500	£7,750	£8,000	£8,500	£9,000	£9,250	£9,965	£11,840	£15,000
5 Res5 - Larger low density scheme	150	0.60	£18,810,976	£20,287,438	£21,763,901	£24,716,828	£27,668,293	£29,124,347	£31,622,753	£40,671,819	£59,200,387
6 Res6 - Mid-size flatted scheme	225	0.40	£15,906,256	£19,066,183	£22,226,111	£28,523,243	£34,776,498	£37,903,124	£42,978,691	£61,986,824	£101,398,433
7 Res7 - large flatted scheme	300	0.60	£14,138,894	£16,947,719	£19,756,543	£25,353,994	£30,912,441	£33,691,667	£38,203,282	£55,099,398	£90,131,941
BLV 2 Scheme			CIL Zone C				Potential New Zone	CIL Zone B	CIL Zone A		
Build for sale - scenario C1			10,000,000	10,000,000	10,000,000	10,000,000	29,000,000	29,000,000	29,000,000	45,000,000	55,000,000
5 Res5 - Larger low density scheme	150	0.60	£15,719,618	£17,196,080	£18,672,543	£21,625,470	£24,578,395	£26,054,858	£28,559,059	£37,623,596	£56,152,165
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Build for sale - scenario C2			10,000,000	10,000,000	10,000,000	10,000,000	29,000,000	29,000,000	29,000,000	45,000,000	55,000,000
5 Res5 - Larger low density scheme	150	0.60	£16,314,408	£17,790,870	£19,267,333	£22,220,260	£25,173,185	£26,649,648	£29,153,848	£38,210,087	£56,738,655
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7 Res7 - large flatted scheme	300	0.60	£9,372,970	£12,181,795	£14,990,619	£20,608,268	£26,213,019	£28,992,244	£33,503,858	£50,399,975	£65,498,092
Build for sale - scenario C3			10,000,000	10,000,000	10,000,000	10,000,000	29,000,000	29,000,000	29,000,000	45,000,000	55,000,000
5 Res5 - Larger low density scheme	150	0.60	£16,314,408	£17,790,870	£19,267,333	£22,220,260	£25,173,185	£26,649,648	£29,153,848	£38,210,087	£56,738,655
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Build for sale - scenario C4			10,000,000	10,000,000	10,000,000	10,000,000	29,000,000	29,000,000	29,000,000	45,000,000	55,000,000
5 Res5 - Larger low density scheme	150	0.60	£18,810,976	£20,287,438	£21,763,901	£24,716,828	£27,668,293	£29,124,347	£31,622,753	£40,671,819	£59,200,387
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BLV 3 Scheme			CIL Zone C				Potential New Zone	CIL Zone B	CIL Zone A		
Build for sale - scenario C1			6,500,000	6,500,000	6,500,000	6,500,000	18,000,000	18,000,000	30,000,000	30,000,000	30,000,000
5 Res5 - Larger low density scheme	150	0.60	£15,719,618	£17,196,080	£18,672,543	£21,625,470	£24,578,395	£26,054,858	£28,559,059	£37,623,596	£56,152,165
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Build for sale - scenario C2			6,500,000	6,500,000	6,500,000	6,500,000	18,000,000	18,000,000	30,000,000	30,000,000	30,000,000
5 Res5 - Larger low density scheme	150	0.60	£16,314,408	£17,790,870	£19,267,333	£22,220,260	£25,173,185	£26,649,648	£29,153,848	£38,210,087	£56,738,655
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Build for sale - scenario C3			6,500,000	6,500,000	6,500,000	6,500,000	18,000,000	18,000,000	30,000,000	30,000,000	30,000,000
5 Res5 - Larger low density scheme	150	0.60	£16,314,408	£17,790,870	£19,267,333	£22,220,260	£25,173,185	£26,649,648	£29,153,848	£38,210,087	£56,738,655
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Build for sale - scenario C4			6,500,000	6,500,000	6,500,000	6,500,000	18,000,000	18,000,000	30,000,000	30,000,000	30,000,000
5 Res5 - Larger low density scheme	150	0.60	£18,810,976	£20,287,438	£21,763,901	£24,716,828	£27,668,293	£29,124,347	£31,622,753	£40,671,819	£59,200,387
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