

# CIL Viability Appraisal

By Lambert Smith Hampton:

For London Borough of Lewisham

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## **Assessing Viability**

### **Community Infrastructure Levy: Economic Viability Study**

on behalf of

**London Borough of Lewisham**

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# 1. Introduction

## Background

- 1.1 The London Borough of Lewisham (LBL) instructed Lambert Smith Hampton in May 2011 to undertake an Economic Viability Study (EVS) to provide evidence to support their Community Infrastructure Levy (CIL) Charging Schedule.
  
- 1.2 The Planning Act 2008 introduced the CIL as a mechanism that could be used to fund infrastructure requirements from developer contributions. This led to the publication of the CIL Regulations in March 2010 and the introduction of CIL from 6 April 2010. The Regulations set out the requirements for CIL, including the production of a Charging Schedule, which is to be supported by background evidence on economic viability and infrastructure planning. This report provides economic viability evidence to support the CIL rate that the LBL will charge. The purpose of the EVS is to advise LBL upon “the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area” (CIL Regs 2010, R.14.1.b) and provide LBL with a recommended CIL charging rate(s).

## Background and Experience

- 1.3 LSH has advised 20 London Boroughs in the last 3 years and 18 other Local Authorities and Public Bodies throughout the UK. In particular LSH has been involved in providing viability advice to Lewisham for the last 3 years; in regards to affordable housing and Section 106 (S.106) obligations on numerous major schemes; which aggregated amounts to appraisals of circa 10,000 residential units and circa 1million sqm of commercial space. We have also helped provide LBL commentary on their response to the London Mayor’s CIL proposals and its implications for the Borough.

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## 2. CIL in Context

### What is CIL?

- 2.1 The Community Infrastructure Levy (CIL) is a local levy that is charged on new development for the purpose of raising funds to deliver infrastructure that is required to enable growth. CIL was introduced by the previous Government through Section 206 of the Planning Act 2008 (The Act). This allows certain bodies known as “Charging Authorities” to charge CIL. In most circumstances the “Charging Authority” is the Local Planning Authority for the area, but in London includes the Mayor of London also.
- 2.2 The introduction of CIL is supposed to provide a more transparent and effective way of providing for major infrastructure, addressing those are major concerns about the use of S.106 obligations. Whilst CIL will be used for general infrastructure contributions and is not tied to specific sites, S.106 obligations will continue for site-specific mitigation, including the securing of affordable housing. The Planning Officers Society<sup>1</sup> in their advice note on S106 and CIL have identified three repercussions for S106 obligations:
- Making the test for the use of S.106 obligations statutory (R.122)
  - Ensuring that there is no overlap in the use of CIL and S.106 (R.123)
  - Limiting the use of ‘pooled’ S.106 obligations post April 2014 (R.123)
- 2.3 If a Charging Authority decides to levy CIL in its area a document known as a ‘Charging Schedule’ must be prepared which sets out the rate of CIL which will apply. The Charging Schedule must be supported by background evidence on the economic viability of CIL and the infrastructure requirements of the area. The Charging Schedule will be subject to public consultation, and an independent examination. The adopted Charging Schedule will sit within the Local Development Framework, however it will not form part of the statutory development plan.
- 2.4 The use of S.106 obligations will be scaled back from April 2014, limiting the amount of pooled S.106 contributions. Authorities have been advised to move to a CIL tariff as a priority, as this is now regarded as the preferred method for collecting contributions to fund infrastructure.

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<sup>1</sup> The Planning Officers Society, Section 106 Obligations and the Community Infrastructure Levy: An Advice Note, April 2011

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## How does CIL work and is calculated?

- 2.5 The CIL rate or rates are set out in the 'Charging Schedule' and must be expressed as £ per square metre. CIL is levied on the gross internal floorspace of the net additional liable development. The levy can be varied for different areas within the Charging Authority's area and for different types of development (e.g. residential, commercial). This economic viability study will assist in determining the most appropriate levels of CIL in LBL, and whether CIL should be applied in the Borough at different rates in different parts of its Borough / for different types of development.
- 2.6 In setting the rate(s) of CIL in an area, the Charging Authority (LBL) must consider the "appropriate balance between:
- (a) the desirability of funding from CIL (in whole or in part) the actual and expected estimated total cost of infrastructure required to support the development of its area, taking into account other actual and expected sources of funding; and
  - (b) the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area." (CIL Regs 2010, R14.1.a/b)
- This means that in setting the CIL rate Charging Authorities need to demonstrate that their proposed CIL rate(s) will not put development across their area, **taken as a whole**, at undue risk.
- 2.7 The regulations place this consideration of the appropriate balance upon the local Charging Authorities as it is expected that there will be wide variations of CIL rates across the country.
- 2.8 Any revenue received through CIL must be used to fund infrastructure that will support the development and growth of the area, and the Charging Authority is responsible for reporting to its local community how much CIL has been collected and spent.

## Legislative and Planning Framework

- 2.9 The current legislation and guidance informing the development of CIL includes:
- The Planning Act 2008
  - The Community Infrastructure Levy Regulations 2010, and amendments from 6 April 2011
  - Community Infrastructure Levy Guidance – Charge Setting and Charging Schedule Procedures; CLG March 2010
- 2.10 There are further changes proposed to CIL through the Localism Bill, which include:

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- A 'meaningful' amount of CIL is proposed to go to local communities
  - The examiners' report on CIL is proposed to be restricted to ensuring compliance with the legislation
  - The possibility that affordable housing provision will also be included in CIL rather than provision through S106 obligations.

2.12 A requirement for the implementation of setting CIL is that there is an up to date development plan for the area in which Charging Authorities are expecting to charge their CIL. LBL adopted its Local Development Framework Core Strategy in June 2011 and therefore has an up to date plan that is part of the development plan for the area.

2.13 A summary of the key regulations we have had regard to in this study can be found in Appendix One.

## CIL in London

2.14 At the time of producing this document three other London Boroughs had produced their draft Charging Schedules, the London Boroughs of Redbridge, Croydon and Wandsworth. In addition to these the Mayor of London has also produced a draft Charging Schedule. Detailed analysis of the proposed CIL for each of these and their methodology and evidence base is provided in Appendix Three.

## The Mayor of London

2.15 The Mayor of London's Charging Schedule, covering all London Boroughs, is due for examination in December 2011 and is expected to be in place to commence by April 2012. Regulation 14 states that London Boroughs must take account of the CIL rate set by the Mayor. In considering the viability of development, the Mayor of London's CIL chargeable amount will be payable before any chargeable amount that that borough imposes on development within its area.

2.16 Any CIL amount that the Mayor of London collects (collected on the Mayors behalf by boroughs) can only fund road and transport infrastructure (Reg 69). The Mayor's CIL will contribute towards the costs of Crossrail, with £300million of funding expected to be secured through CIL by 2019.

2.17 The Mayor's published draft Charging Schedule sets out three different rates within which different London Boroughs fall. The rates applied to each London Borough have

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been based on house price data. The three different rates are £50, £35 and £20. The London Borough of Lewisham is within Zone 2 - £35 per square metre.

2.18 Further details on the Mayor of London's CIL can be found in the detailed commentary in Appendix Three.

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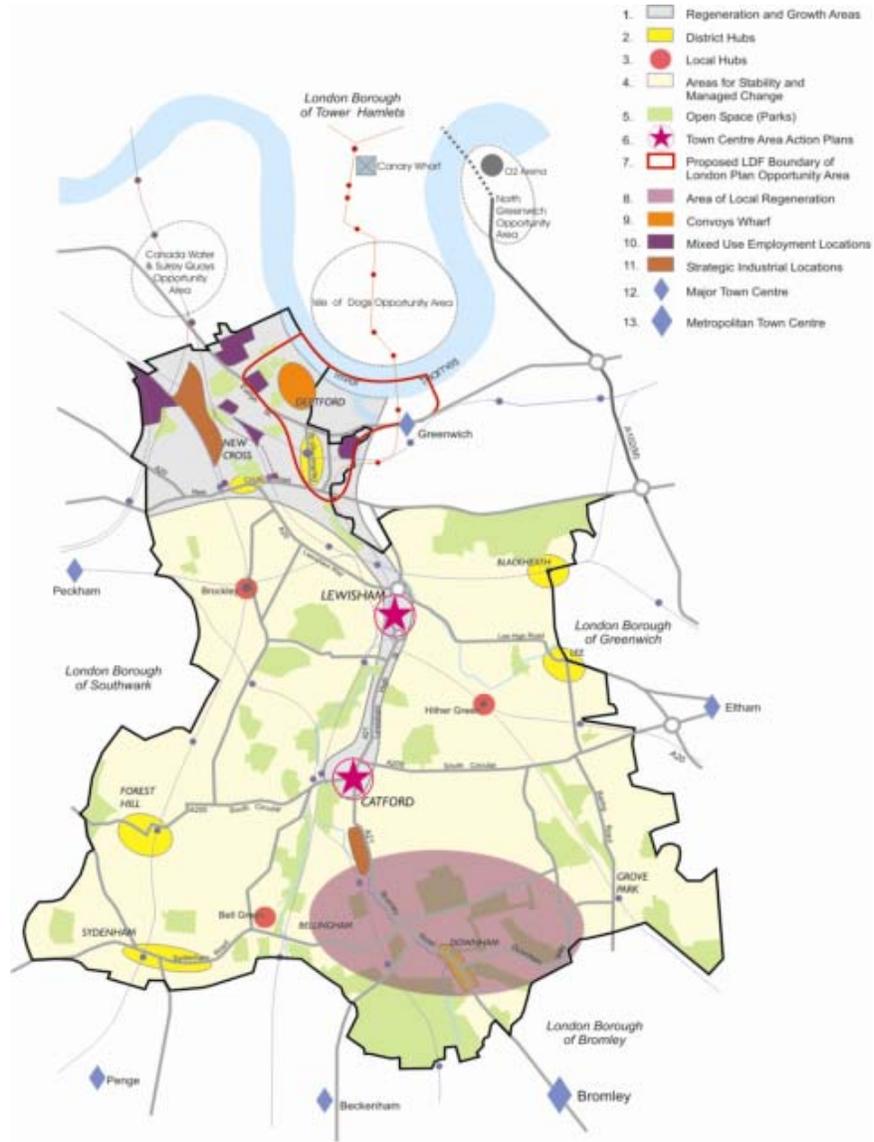
## 3. Lewisham in Context

- 3.1 The Borough is located in the south east of London, bounded by the boroughs of Southwark, Greenwich, Bromley and Tower Hamlets. The northern boundary of the borough is defined by the River Thames.
- 3.2 Part of the borough is within the Thames Gateway Area, and there are two opportunity areas identified in the London Plan 2011; Deptford Creek/ Greenwich Riverside which is located in the northern part of the borough; and Lewisham, Catford and New Cross Opportunity Area which runs down the central area of the borough.
- 3.3 These areas contain much of the proposed regeneration and larger redevelopment sites in the Borough over the next 10-15 years.
- 3.4 Over the last five years a significant amount of former employment land has been developed for new “mixed-use” development, which has had a significant residential bias. It would appear there has been a low demand for commercial property in the Borough, which has often made commercial schemes less viable than alternative uses such as residential. Therefore, it is likely to be important to deliver a balanced mix of land uses and may even require the active encouragement of commercial uses to mitigate the implications in viability.

### Local Spatial Strategy

- 3.6 The Core Strategy outlines the overall spatial strategy for the Borough and identifies where much of the growth and development will take place, as well as the amount and type of development that is needed to address the Borough's needs and meet objectives. The main development in the borough will be housing with over 18, 000 homes due to be built in the borough over the next 15 years.
- 3.7 A growth and regeneration area is identified in the north of the borough and extending down to the centre and of the borough and focuses on:
- Lewisham Town Centre
  - Catford Town Centre
  - Deptford including Deptford Creekside
  - New Cross/ New Cross Gate

3.8 The focus for new housing, retail and employment uses is to be focused within this Regeneration and Growth Area. This area has been identified due to a number of interrelated factors including the large areas of underutilised industrial land, the built form and character of the area, and the growth potential that has been identified in the town centres.



Core Strategy Key Diagram, London Borough of Lewisham

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- 3.9 Each of these areas has an identified quantum of development, and as areas where the most amount of development is expected to take place, are likely to contribute a significant amount of the borough's CIL. The Regeneration and Growth Areas are expected to deliver:

#### Lewisham Town Centre

- Designated as a Major Town Centre
- 40, 000sqm of additional retail space by 2026
- 4, 300sqm of additional leisure space by 2026
- Accommodate an additional 1, 500 homes by 2016 and a further 1, 100 homes by 2026
- Preferred location for office development
- Contains the Lewisham Gateway, a strategic development site

#### Catford Town Centre

- Designated as a Major Town Centre
- Accommodate up to 22, 000sqm of additional retail floorspace by 2026
- 650 new homes by 2016 and up to 1, 100 new homes by 2026
- Preferred location for office development

#### Deptford, Deptford Creekside, New Cross/ New Cross Gate

- Accommodate up to 2, 300 new homes by 2016 and a further 8,325 homes by 2026.
- Deptford and New Cross/ New Cross Gate designated as District Centres
- Contain four strategic sites – Conveys Wharf, Surrey Canal Triangle, Oxestalls Road and Plough Way)
- Contain a core supply of employment land and Mixed Use Employment Locations.

- 3.10 Many of the strategic sites within the Regeneration and Growth Area may already have planning permission before the Borough's Charging Schedule comes into effect, and as such would contribute towards infrastructure through S106 Obligations and not CIL. There is though a considerable volume of development on both large and smaller sites expected to come forward in the CIL period.

- 3.11 Outside of the regeneration and growth area there will be stability and managed change which will focus on enhancing the living environment, ensuring they are supported by a local network of services and facilities. There is not anticipated to be a significant volume of large

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development sites available in this area, although they do exist alongside small scale developments.

3.13 Borough-wide planning policy seeks to achieve an increase in the provision of housing, employment and retail floor space, as well as achieving sustainable development. All local policies have been considered in producing this assessment. Of key importance to modelling viability are the following specific policy targets:

#### Housing

- *Affordable housing* – The Council will seek the maximum provision of affordable housing with a strategic target of 50% affordable housing from all sources. The preferred tenure split of the housing sought is 70% social rented and 30% intermediate housing.
- All new housing to be built to lifetime home standards and 10% to wheelchair standards.

#### Sustainability

- All new residential development to be built to Code for Sustainable Homes Level 4 from 1 April 2011 and Level 6 from 1 April 2016
- All development to contribute to a reduction in CO<sub>2</sub> emissions in line with regional and national requirements.
- All non-residential development to achieve BREEAM 'Excellent' standard.

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## Infrastructure Needs Overview

- 3.14 The LBL Core Strategy demonstrates infrastructure need through the Infrastructure Delivery Plan (IDP) evidence base. The Infrastructure Delivery Plan includes: physical infrastructure such as transport, utilities, waste management and flood defence, social infrastructure such as education, health, leisure, estate renewal and emergency services and green infrastructure such as parks, allotments, cemeteries and church yards.
- 3.15 LBL have reviewed the IDP to ensure it includes only those schemes that are appropriate for and require CIL funding and this has formed a new CIL Infrastructure Delivery Schedule that directly states the demands upon CIL for the 2014-2019 period. This report details a gap between the infrastructure funding required and secured of £86m in total over the 5 year CIL period.
- 3.16 It is anticipated that £15m of the funding for infrastructure will be delivered through existing S.106 Agreements, which currently produce approximately £3m per year in revenue.
- 3.17 CIL will, therefore provide a further contribution to the required infrastructure target, particularly as it will collect contributions from smaller developments which have been previously exempt from Section 106 contributions.
- 3.18 Therefore for a CIL to deliver the remaining required c.£70m of infrastructure cost (based on the LBL estimated units liable for CIL over the plan period) it would require a value of circa £269 per sqm. Through assessing viability LSH will review if this is achievable.

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## 4 Our Methodology

### Our Approach to assessing CIL

- 4.1 LSH undertook the Economic Viability Study, using a Residual Land Value model, based on assumptions reflecting Borough wide data collection. The model then tested the impact of various CIL contributions on viability using several assumption scenarios.
- 4.2 Given CIL Regs 13 & 14, with regards to identifying a deliverable CIL, which enables schemes to remain viable, LSH gave consideration to the following:
1. Land use to be developed.
  2. Impact of Land Use type on CIL viability.
  3. Impact of geographical market variations on CIL viability.
- 4.3 LSH discussed and concluded with LBL that it is reasonable to assume that as an urban London Borough that the predominant type of development land identified in the Local Development Framework is “Brownfield” and the predominant type of development planned is residential. However variations in development type do exist and therefore LSH considered that in order to provide the most appropriate and robust CIL analysis should be undertaken to assess variation of viability by land use.
- 4.4 LSH undertook an assessment of the potential variation of geographical conditions affecting viability across LBL to ensure that the appropriate viable CIL could be achieved across the Borough. LSH's experience in LBL suggests that the viability of schemes varies across the Borough dependant upon sales value and other revenue streams. Therefore it was considered that in order to ensure the most appropriate CIL contribution is achievable, the methodology should assess if the proposed CIL charge may need to vary geographically

### Financial Viability

- 4.5 The financial viability of development proposals is determined using the Residual Land Valuation (RLV) methodology, reflected in the RICS Valuation Information Paper 12 (VIP 12). Given the simplicity and transparency of the approach/model and the generalised approach to potential development within the Borough, the advice provided herein must only be regarded as an indication of potential value, on the basis that all assumptions are satisfied. LSH have, however, attempted to ensure that the assumptions used are explained, accurate and robust to support our approach to estimating an appropriate CIL.

- 4.6 The advice does not and cannot be considered to represent a Valuation in accordance with the Appraisal & Valuation Manual published by the Royal Institution of Chartered Surveyors, and should only be used as a guide to inform the Borough's CIL policy decision-making process.
- 4.7 Like any viability assessment, the model is influenced by the variables used. Therefore, the variables used in the model give consideration to market conditions as well as planning policy and attempt to offer flexibility for potential development opportunities, as the model outputs can only reflect a generalised approach to development across the Borough.
- 4.8 Although the assumptions used are reasonable and are anticipated to remain so over the plan period, LSH would suggest that the variables are reviewed over the life time of the Local Development Framework.
- 4.9 A Residual of Land Valuation is a standard procedure used in the property development industry to assess the adequacy of the financial return from a scheme having regard to the projected value of the completed development and the estimated costs involved:

Private Value		Affordable Value		Costs		Profit		Land Value
Revenue from Residential and Other Uses on Site	Plus	Revenue and Grant from Affordable Use	Less	Build Costs, Finance, Section 106, fees, etc	Less	Standard Return	Equals	Residual Value

### Residual Land Value benchmarks

- 4.10 For a scheme to be deemed viable the RLV requires being of a sufficient value in excess of the current use value ensuring the land will be purchased. If the Current Use Value is not exceeded, or simply not exceeded by a sufficient margin, the landowner is unlikely to sell, which in effect makes the scheme unviable.
- 4.11 LSH assume that in order for re-development to occur the Current Use Value may not reflect the optimum use for the site. Due to the fact this viability study is attempting to provide an acceptable Borough-wide approach, LSH propose to use Current Use Value and apply a premium to create reasonable land value benchmarks.

**i.e. CURRENT USE VALUE + PREMIUM (sellers profit) = BENCHMARK LAND VALUE**

- 4.12 LSH has considered what land-use would provide the most reasonable Current Use Value within Lewisham, given not all sites will have the same current use. Borough dynamics and

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characteristics have meant that there is very little B1/D1 commercial space within the Borough, while in comparison there are numerous examples of B2 industrial land. Furthermore the variables affecting a model industrial land use value are less complex and so more transparent than that of B1 or D1 uses. Therefore, using industrial land value as the benchmark is a reasonable approach given the study area.

- 4.13 LSH collected industrial land data from throughout the Borough and were able to conclude an average net rent and yield based on this data. Estimated industrial land values were then compared to land registry data, to provide a reasonable base from which to estimate the average industrial land value per hectare.
- 4.14 LSH applied a premium to create a Benchmark Land Value to reflect the potential “Market Value” of land given knowledge of the potential value of proposed use. This means that the Benchmark Land Value varies depending upon the proposed use and the location of the site within the borough. This means for example that while C3 use has a premium of +20%, A1 (small) has +5% and A1 (large-supermarket) +30% on Current Use Value. This is a generous position in relation to current debate averaging at the top end (and sometimes exceeding) of the 15-20% premium recommended by the District Valuation Service. This approach was seen as to minimise developer objection to the CIL rate.

## Impact of planning policies on Viability

- 4.15 It is clear from the above RLV formula that planning costs, by means of S.106, affordable housing delivery and CIL, will have an impact on the potential RLV. Assuming the remaining assumptions are fixed, the level and mix of affordable housing, the required on site S.106 and the proposed CIL charge will all affect the potential viability of a scheme. Therefore, LSH worked with LBL to conclude reasonable and accurate planning policy assumptions, such as S.106 payments and affordable housing to ensure an accurate assessment of a proposed CIL can be made.
- 4.16 LBL’s affordable housing planning policy states that a strategic target from all sources of 50% is desirable across the Borough. This level will vary from site to site as some developments will provide 100% affordable housing (and thus not be liable for CIL), while others may only be able to deliver less than 50%. The Council estimate that CIL liable developments will only need to deliver a strategic level of 35% affordable housing to (in combination with 100% affordable housing projects) meet the Core Strategy overall 50% target.

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4.17 The allowed flexibility in affordable housing provision increases the difficulty of demonstrating the impact on viability of a CIL rate. It is important therefore that when considering a proposed CIL rate, LSH and the Council also the effect of different levels of affordable housing on viability. The impact of varying planning assumptions, such as affordable housing levels and mix, has been studied throughout this assessment. The table below sets out the policy based, assumptions:

<b>Policy</b>	<b>Assumption</b>
Affordable housing percentage	35%
Social rented / intermediate split	70% / 30%
Remaining Section 106 payment	£1,000 per residential unit

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## 5. Viability Model

- 5.1 The base structure of the model reflected a standard viability appraisal, enabling inputs from various sources of revenue and calculations of cost. The model enables various assumptions to be amended to produce a suggested rate per square meter of CIL whilst development, taken as a whole across the borough, remains viable. To this end the model delivers transparent and quick analysis of a variety of different uses and sized schemes as well as different values, build costs and levels of affordable housing.
- 5.2 To ensure a robust approach, key variables were chosen and are explained further below, and where possible reflect established viability assumptions within models such as the HCA Economic Toolkit and the GLA Three Dragons Toolkit, ensuring the model has a consistent approach to current Affordable Housing Viability reviews.
- 5.3 Many of the variables chosen have been selected at levels that do not necessarily favour viability and in some cases are “worst case scenario” so as to provide a considerable amount of flexibility in the viability of the resulting CIL level. It is of key importance to note therefore that the levy rate that will be delivered by the model is NOT a maximum CIL rate possible by “the perfect scheme”, but is a suggested implementable and viable level of CIL that is suitable for development schemes on the whole across the borough.

### Key Variables

#### Area

- 5.4 The model can be varied to assess any size scheme. The model area variable is in hectares, but it also displays the comparable size in acres. Development area will vary from scheme to scheme and location, therefore any area chosen for the model can only reflect an average.
- 5.5 Major developments and regeneration schemes in the Borough have reflected 0.25-10 hectares of land. On the whole commercial schemes tend to be developed on a smaller scale in Lewisham due to lack of demand of commercial units. This is also reflective of the majority of A1 uses, which tend to be High St development. However, larger retail units do occur on retail parks and supermarket developments. Hotel uses in Lewisham are limited and tend to be budget hotels requiring no more than 0.25 acres (0.1 hectares).

## Use/Mix/coverage

- 5.6 The model focuses on C3 use schemes; however, it is also flexible so that it can review other development types. It includes the ability to fluctuate the level of B1, A1, D1 and C1 within a model scheme.
- 5.7 In Lewisham, mixed use developments tend to predominately reflect residential use, with a small amount of non-residential uses on the ground floor. LBL have a policy which encourages 20% of development of employment land to remain as employment. Whilst 20% is rarely achieved in reality, this level has been reflected in our assessment of an average mixed use scheme in the model to allow for the possibility of delivery.
- 5.8 In assessing commercial only schemes, it is complicated to estimate the coverage of an average development, due to the potential variables, including height and potential use/tenant. Furthermore, coverage is affected by the size of the development site; as large sites will favour particular uses which may reduce the coverage, whilst smaller sites may have a higher coverage. However, for the purposes of this review LSH assessed the potential various schemes using the following Gross Internal Areas:

Use	GIA (Sqm)
A1 – High Street Shop	110
A1L – Large Retail unit (supermarket)	5,800
B1 – Office unit	2,000
C1 –Hotel	2,600

## Revenue

- 5.9 Average revenue values are largely dependent on comparable evidence, which requires sufficient new development within the study area to provide a realistic value base. Furthermore, such evidence is only a snap shot in time, reflecting the market conditions at the time of review. Therefore consideration needs to be given to the market conditions at the time of assessment.
- 5.10 Although the common consensus is that we are currently at the bottom of an economic cycle the model does not rely on improved market conditions to find viability. The conclusions of this study must be considered in the context of the information available and reasonable tolerance should be given to determining the impact of market changes in the future.

- 5.11 The model focused on average revenue streams from private residential, affordable residential and various commercial uses including retail and office.
- 5.12 The model uses average net rents and yields which were calculated for commercial uses (Office and Retail etc) applied to a chosen floor area to provide anticipated non-residential revenue stream.

### Density

- 5.13 The model enables density to be varied through amending the number of units and or site area. For the purposes of this study it was assumed that development would reflect Planning Policy. Therefore, the density of flatted and housing scheme was assessed on different assumptions.
- 5.14 The model reflects densities in line with the London Plan. Again this variable is towards the lower end of the density ranges allowing flexibility for the CIL rate generated to accommodate the majority of schemes. The average density for permissions granted in the last three years in the borough is over 210 per ha for flats and over 100 per ha for houses. The following development densities were used for residential development:

Type	Houses	Flats
Urban	50 per ha	200 per ha

- 5.15 Although the amount of non-residential uses can be varied, for the purposes of this study it was assumed for mixed use schemes that 20% of the total floor space of any flatted scheme would consist of a non-residential use, as reflecting strategic Planning Policy. Furthermore, for the purposes of analysis it was assumed that this would be split 30:70 A1:B1.

### Residential Unit sizes

5.16 The model assumes an average gross internal floor area for flats and houses based on market data and discussions with LBL. A 5% increase over these private averages was applied to the affordable housing to reflect affordable space standards. The model does not distinguish between individual unit types as a single average rate of value had been used in the assessment.

5.17 The below table sets out the assumed average unit sizes used in this study:

Type	Sqm	Sqft
Flat	70	750
House	113	1215

### Gross to net ratios

5.18 In line with the RICS all revenue in the model is assessed on a Gross Internal Area (GIA) of individual residential units and Net Internal Area of commercial space. It is assumed that the total GIA of flatted units was equal to 85% of the total GIA of the building, whilst houses were assumed to be 100%, B1 to be 80% and A1 uses to be 90%. Build costs were assumed on GIA of total buildings.

### Standard development costs

5.19 Standard development costs were assessed on a value per sqm basis, based off market data and the Royal Institution of Chartered Surveyors (RICS) Build Cost Index Service (BCIS). Basic build cost will, however, vary from scheme to scheme and is dependent on a number of variables including type, material, density and market. LSH understand that BCIS data reflects a Code level 3 energy rating; therefore values were increased by 5% to potentially reflect a Code level 4 energy rating in line with local policy. LSH have not amended the average build cost to reflect geographic differences, as the base price is already a reflection across the Borough and specific site costs cannot be reasonably assumed in a generic approach.

5.20 The Model uses average standard build costs for the various uses and differentiates between flatted and housing schemes. The approach taken can only act as a guide as some schemes will incur higher or lower standard costs. It should also be understood that even small variations in build costs can lead to significant variations in schemes viability.

5.21 The below table sets out our approach to standard build costs used in the Model. Data is based off mean estimates:

Type	BCIS (£psqm)	Code level 4 (BCIS +5%) (£psm)
Houses (Estate)	£990	£1,044
Flats 3-5	£1,066	£1,119
Flats 6+	£1,475	£1,588
A1	£990	
B1 (A/C, upper)	£1,292	
B2	£646	

5.22 An additional £9 psm has been added to all units to reflect 10% of the units being wheelchair adaptable. LSH have therefore applied the average following rates in the model to reflect a blend of scheme heights and coverage:

Type	Rate per Sqft (£)	Rate per Sqm (£)
Private Houses	£98	£1,055
Affordable Houses	£102	£1,098
Private Flats	£135	£1,453
Affordable Flats	£140	£1,503
A1 – Retail	£100	£1,076
A1L- Supermarket	£120*	£1,292
B1 – Office	£120	£1,292
C1 - Hotel	£126	£1,356

\*all in including car park.

### Abnormal costs

5.23 LSH recognised that almost all the schemes which will be developed will incur site specific abnormal costs over and above the basic build cost assumed in this study and this is reflected in the model.

5.24 In an attempt to provide a reasonable approach to this issue, LSH have applied an additional cost of 5% of all standard construction costs as an abnormal cost. It is recognised that abnormal costs will vary between schemes and may be much higher or lower than 5%, however, LSH have attempted to deliver a model and therefore CIL, which reflects a general and reasonable approach for developers. To simply ignore abnormal costs, may result in a

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CIL levy, which when applied to development opportunities would make a high proportion unviable.

### Profit

5.25 Profit is closely reflective of risk, therefore, the larger the risk to development, the higher the required profit level, therefore the model enables profit to be varied, both for private elements of the scheme and affordable elements.

5.26 LSH are aware that a standard profit of 15-17% on total GDV is reflective of the GLA Three Dragons Affordable Housing Toolkit and the HCA Economic Appraisal Toolkit. However, it is LSH's opinion that this level of profit reflects completed development at the height of the market in 2007. Typically, Developers appear to now require profit levels in excess of 20% on private elements, to reflect the increased risk in the market of 2011. It is possible that if the market improves over the Framework period that profit levels will reduce.

5.27 LSH have therefore assumed in the model the below profit levels based upon the current high levels of profit required:

Type	Profit
Private Floor Area	20% on private GDV
Affordable Floor Area	6% on Construction cost

### Affordable housing

5.28 The model enables variation in the unit size, cost, revenue, mix and the percentage of overall units; as well as potential grant funding; to generate the development potential from the affordable housing element. There is a positive correlation between affordable housing delivery and viability, which has been further highlighted by the reduction in availability of affordable housing grant. The model does enable generation of the maximum affordable housing (based on a set mix) given a particular CIL level. This process enables the balance between CIL and affordable housing policies to be achieved.

5.29 LBL have a strategic policy target of achieving 50% affordable housing across the Borough and a preferred 70:30 split of rented to shared ownership tenure mix. LSH understand that the current affordable housing policy is aimed to reflect the average delivery of affordable units across the Borough rather than be site specific. Furthermore, as some schemes will deliver 100% affordable housing, to meet the strategic 50% target the average affordable housing contribution from CIL chargeable schemes will be below 50%, and may be closer to 35%. It should also be highlighted that Schemes which have 100% affordable housing will

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not be required to pay CIL, therefore, potential CIL payment will reduce as schemes affordable percentage increases.

5.30 In order to estimate capitalised rates per sqft for affordable tenures in Lewisham, such as social rented or shared ownership, a standard blended mix of unit sizes was discussed and agreed with LBL and the LSH Affordable Housing Calculator was run on assumptions similar to the GLA Three Dragons Toolkit and the HCA Economic Appraisal Toolkit. Based on the HCA Affordable Housing commentary LSH would propose any inclusion of grant funding to be limited to rented units at circa £25,000 per unit. However, for the purposes of a base model it was assumed that no affordable housing grant would be forthcoming.

5.31 There is speculation that the HCA may well offer grant funding over the next few years, however to include this within the model assumptions would be dangerous to viability if it did not happen. By not including any grant funding in generating the CIL rate LSH have ensured that no matter what the decision regarding grant availability, viability is not adversely impacted.

5.32 The outputs of the calculator are set out below:

<b>Tenure (without grant)</b>	<b>Net Capitalised Rate per Sqm (£)</b>
Social Rented Units	£861
Social Rented With Grant	£1,948
Shared Ownership Units	£2,842
Affordable Rented Units	£1,625

### Planning Obligations

5.33 It is understood that development schemes will still be required to provide S.106 contributions for site specific mitigation. The model enables the input of a value per sqm which is anticipated as an average across the Borough. Furthermore, the model allows for the deduction of the Mayor's CIL in assessing viability.

5.34 This sum will vary from site to site, however, in discussions with LBL it was decided that a value of circa £1,000 per residential unit will be an acceptable benchmark for this study.

5.35 Lewisham sits within band 2 of the proposed Mayor's CIL and therefore it is proposed that development in Lewisham will deliver £35 per sqm of chargeable development.

### Land Value Benchmark

5.36 Without a reasonable land value benchmark it is impossible to determine the impact on deliverability, even if the scheme would appear viable. However, the benchmark can only be used as a guide as it is unlikely to reflect the true “market value” of an individual property. Furthermore, it is possible the individual sites cannot be developed for the proposed benchmark use, which makes comparison to the benchmark value, less robust. Therefore, it can only give an indication of average value and should be considered as such.

5.37 The model enables generation of a benchmark figure based on an average industrial value specific to the Borough and applies a percentage uplift to reflect market value, which will vary geographically and to reflect use-class.

5.38 LSH has given significant thought to the proposed assumptions and their application to reach a conclusion on a Borough-wide CIL contribution, which is most effective over the average site. Our proposed Industrial Land Value for land in Lewisham, as set out below is c.£2,800,000 per hectare. Added to this benchmark is a premium, which reflects an improvement of value for residential use. To reflect geographical variation in land values the premium increases in more affluent areas assessed against average residential sales values.

5.39 Anticipated Lewisham Industrial land value, based on a 1 acre example scheme:

Assumptions		
Site Area	1 acre	0.4hec
Coverage	50%	
NIA	2,023	
Net Rent	£12.5	
Anticipated Yield	7%	
<b>Total Revenue</b>		<b>£3.89m</b>
<b>Build Costs</b>		<b>£1.63m</b>
Professional Fees	12%	£0.20m
Abnormals	5%	£0.08m
Sale fees/costs	2.3%	£0.09m
Finance	7%	£0.07m
Contingency (cost+proff)	5%	0.09m
<b>Profit</b>	15% on Cost	<b>£0.58m</b>
<b>Residual Land Value</b>		<b>£1.14m</b>
<b>Land Value Per Hec</b>		<b>£2.81m</b>

### Additional basic assumptions used in the base model

5.40 The model reflects a number of other standard viability appraisal inputs, such as professional fees and sale costs.

5.41 The below additional assumptions reflect standard industry assumptions and GLA guidance.

Assumption		Comment
Professional Fees	12%	Reflects GLA TDTK
Marketing Fees	1.5%	Standard Industry Assumption
Sales Fees	1.5%	Standard Industry Assumption
Contingency	5%	Reflects GLA TDTK
Finance Costs	7%	Standard Industry Assumption
Stamp Duty	4%	Standard Industry Assumption
VAT on Stamp	0.8%	Standard Industry Assumption
Purchase Fees	1.5%	Standard Industry Assumption
Additional Fees	1%	Reflects planning costs

### CIL

5.42 In line with Regulation 40 any existing floorspace within lawful use will be deducted from the total proposed floor space, ensuring that the CIL Levy is applied only to the additional increase in floorspace.

5.43 In addition, an exemption is made for housing that is socially rented or shared ownership (Reg 49-50 Social Housing relief).

5.44 The model is also capable of calculating a different CIL rate for non-residential floor space compared to that of residential floor space. This capability reflects the diverse nature of non-commercial uses and the fact that they may not always generate a sufficient RLV to make a CIL viable.

5.45 LBL undertook an analysis of their recent planning applications and estimated that circa 15-20% of the new developed floor area in the Borough was previously developed. The model uses the lower level of 15%, meaning that any increase towards 20% would improve viability.

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## 6. Data Collection & Review

6.1 Thorough market research was undertaken in Lewisham and following discussions with LBL it was concluded that most potential CIL from future development would be delivered from the following use classes:

▪ A1/A2/A3	Retail (High st)
▪ A1L	Retail Large (Supermarket)
▪ B1	Business Offices
▪ C3	Residential
▪ C1	Hotel

6.2 Whilst other uses such as C2 and D1 were considered, it was concluded, that there was little evidence of significant development of such uses anticipated in the Borough over the plan period and therefore this study concentrated on the above use classes.

6.3 Used revenue variables were based on collected data for the Borough in June - July 2011. LSH collected data from the following sources, through desktop research and site visits:

- 45 current and proposed development schemes in the Borough (c. 6,000 units).
- Circa 250 Land registry data of recent property transactions.
- Advertised residential properties in the study area.
- Circa 450 commercial properties in study area (B1:181, B2:14, A1/2/3:245)
- Discussions with Local Agents.

### Residential Market Context

6.4 At a national level, the July 2011 RICS Housing Market Survey shows a broad based improvement in market conditions over the first quarter of 2011, but the picture overall remains very subdued for 2011.

6.5 Anecdotal evidence suggests the rise in new instructions is primarily related to homeowners testing the market, rather than due to distressed selling. However, for the most part restricted bank finance has meant the interest in properties has not translated to an increase in property exchange.

6.6 At a local level Land Registry data suggests central Lewisham (SE13) has seen house price growth in the last 12 months of over 3%, with house prices reflecting circa 30% above the national average.

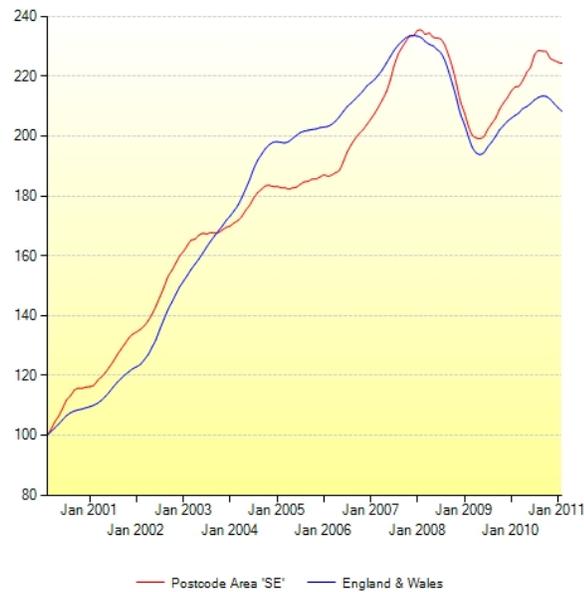
Growth Rates	SE13	National
5yr House price Growth	20.24%	2.46%
Last 12 months	3.64%	0.64%

Source: Land Registry, Updated July 2011

Bedroom Size	SE13	National
1 bed	£172,600	£145,100
2 bed	£208,300	£159,900
3 bed	£269,400	£186,900
4 bed	£386,800	£332,600

Source: Land Registry, Updated July 2011

6.7 The graph below shows the local house price index for all SE postcodes based on Land Registry data for the last 10 years. It is possible to see that house prices steadily rose in the period 2001-2007, dropping in 2008-2009 and steadily increasing over 2010, with a potential



reduction in 2011.

Land Registry Data

### Residential Development in Lewisham

- 6.8 At a local level, there are a number of comparable developments by National House Builders in the area, including:

Scheme	Location	Average Values	Total Units
Renaissance	Loampit Vale SE13	£376 psf	700
Riva	Lee High Road SE13	£352 psf	39
Higgins Homes	Cumberland Place SE6	£294 psf	12
Seager Distillery	Deptford SE8	£502 psf	377
Lovells Wharf	Greenwich SE10	£551 psf	700
52 Kangley Bridge Rd	Kangley Bridge Road SE26	£327 psf	8
Century Yard	Forest Hill SE23	£512 psf	2
Honey Fields Mews	Forest Hill SE23	£332 psf	4
Joseph Hardcastle Close	New Cross SE14	£342 psf	72
Vancouver House	Maple Quays SE16	£532 psf	146
Marwood Road	Brockley SE4	£362 psf	3
Creekside	Greenwich SE10	£484 psf	371
Inverton Road	Peckham SE15	£326 psf	2
Theatro	Greenwich SE8	£485 psf	48

- 6.9 LSH noted in their review that town centres, such as Lewisham and Catford town centre were able to achieve higher house prices on average than that of other areas within the same postcode and therefore, should be able to support a greater CIL than would be simply reflected by postcode data.

### Non- Residential Market

- 6.10 In comparison to the first three months of 2011, there was a 21% drop in investment activity over the second quarter of the year in the UK. Investor activities have been limited by the Greek debt crisis, worries over the UK economic recovery and the squeeze on consumer spending. In contrast, both industrial and office sectors within Central London have performed well, with an increase in both transaction volumes and inward yield movement. However, unfortunately Lewisham has not appeared to reflect this Central London trend, partly due to the location dynamics of Lewisham, but also because commercial property across the UK has looked less attractive against other asset classes.
- 6.11 At a local level LSH undertook research into available B1, A1 and C1 space, which gave a view of the market dynamics in and around Lewisham and an indication of those uses that are capable of paying CIL. Examples of the collected data across the Borough are set out below:

## B1 Office/Light Industrial

Postcode	Street Name	Use	Sq Ft	Sale Price	Sale Price Description	Rent Sq M	Grade
BR1 3LW	Babbacombe Road	B1	1,462	n/a	Not Applicable	£147.24	refurbished
SE10 8DA	Blackheath Road	B1	392	n/a	Not Applicable	£151.02	Second Hand
BR3 5JE	Bromley Road	B1	3,900	n/a	Not Applicable	£161.45	Second Hand
SE8 4JT	Brookmill Road	B1	41,147	£6,172,050	£6,172,050 Guide Price	£193.74	Under Construction
SE8 3EY	Clarence Road	B1	456	n/a	Not Applicable	£177.03	Second Hand
SE16 4DG	Clements Road	B1	1,438	n/a	Not Applicable	£150.00	Second Hand
SE8 4RX	Deptford Church Street	B1	425	n/a	Not Applicable	£189.94	Second Hand
BR1 1LT	Elmfield Road	B1	1,234	n/a	Not Applicable	£177.60	Second Hand
SE9 1TQ	Eltham High Street	B1	5,382	n/a	Not Applicable	£161.45	New or refurbished
SE9 3TL	Green Lane	B1	1,178	n/a	Not Applicable	£169.03	Second Hand
SE10 8JL	Greenwich High Road	B1	10,735	£1,610,250	£1,610,250 Guide Price	£161.45	refurbished
						AVERAGE	£159.78
						EST NEW BUILD	£194

## A1 Shops

Postcode	Street Name	Use	Sq Ft	Sale Price Description	Rent Sq M	Grade
SE13 5LQ	Lee High Road	A1	442	Not applicable	£389.65	Secondhand
SE6 3BT	Randlesdown Road	A1	2,100	Not applicable	£128.14	Secondhand
SE6 3BT	Randlesdown Road	A1	488	Not applicable	£231.60	Secondhand
SE6 4AF	Rushey Green	A1	3,925	Not applicable	£191.96	Secondhand
SE14 6TA	New Cross Road	A1	452	Not applicable	£297.67	Secondhand
SE10 8PA	Plumbridge Street	A1	574	Not applicable	£196.90	Secondhand
SE26 5SL	Sydenham Road	A1	350	Not applicable	£307.54	Secondhand
SE9 6SX	Well Hall Road	A1	1,422	Not applicable	£105.97	Secondhand
SE6 3RS	Southend Lane	A1	3,675	Not applicable	£ 95.19	Secondhand
SE16 3TS	Southwark Park Road	A1	2,500	Not available	£ 68.88	Secondhand
SE12 9DN	Sibthorpe Road	A1	452	Not available	£178.60	Secondhand
					AVERAGE	£199.28
					EST NEW BUILD	£215

## A1 Large (Supermarkets)

Supermarket	Location	Size sqm	£per sq ft	Yield %
Tesco	Leiwsham	5560	215	c. 5
Morrisons	Eltham SE9	3251	215	c. 5
Waitrose	Raynes Park	2079	264	c. 4
Waitrose	Wimbledon	1821	291	c. 4
Sainsbury	Wandsworth	7341	258	4.4

## C1- Hotels

Year	Hotel Provider	Location	No. of Rooms	Rent per room	Yield
2010	Premier Inn,	Greenwich SE10	150	6,500	c. 6
2010	Ibis	Blackfriars SE1	297	8,000	c. 6

- 6.12 Based on Travelodge budget hotel requirement of 80 – 120 rooms for Lewisham LSH estimated the average room rental for Lewisham is circa £5,500 with a yield of approximately 6%

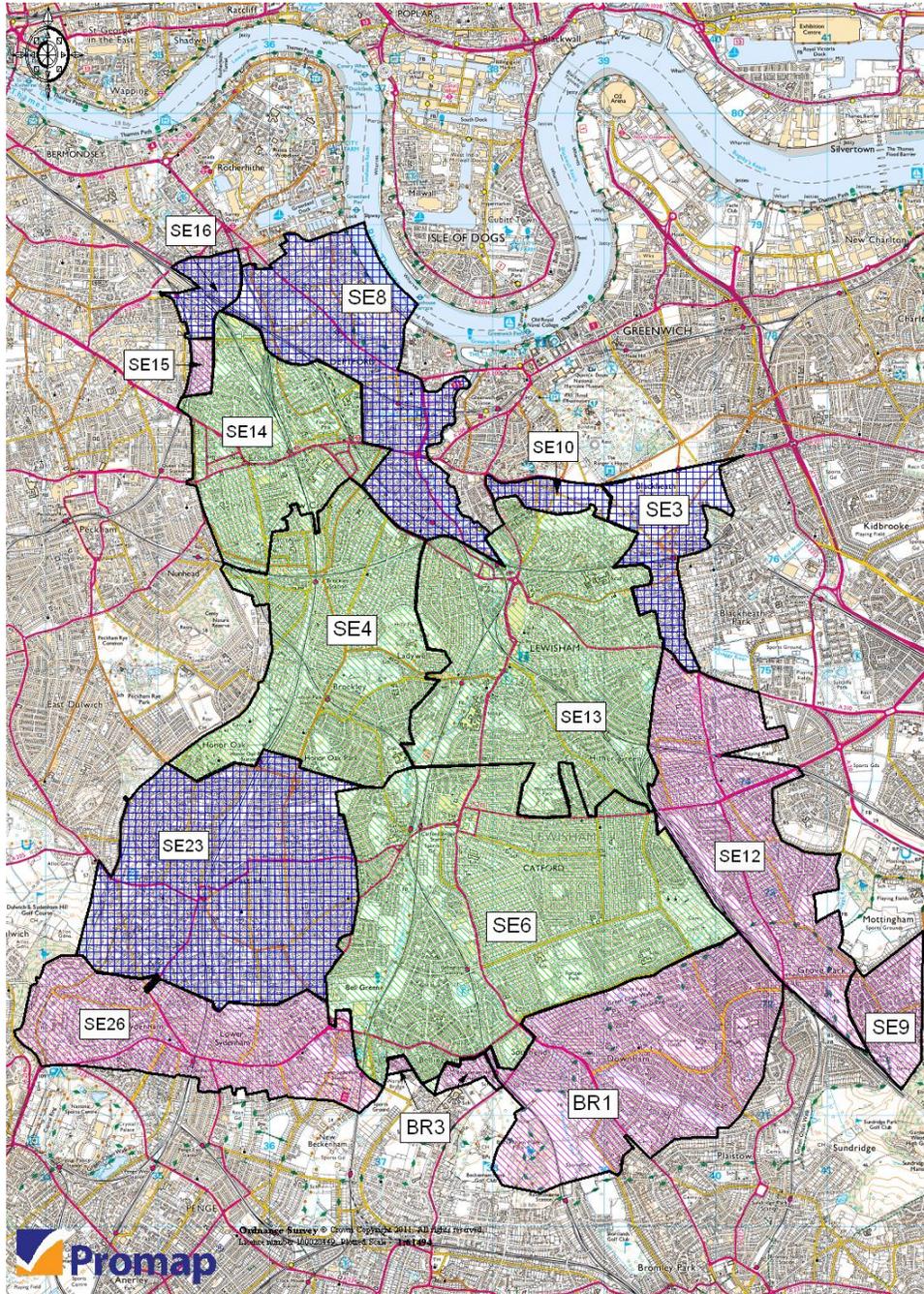
### Estimating potential residential values

- 6.13 Property values vary between property type, size, quality of product and location. However, the Land Registry provide average house prices based on transactions within postcodes. Furthermore, in reviewing development potential property values are often assessed in terms of average price achievable in £/sqm. It is possible to assess £/sqm on various scales, such as national, regional, borough-wide or by postcode, with values becoming increasingly more specific the smaller the study area. This approach was used in the Mayor's CIL proposals, where CIL bands were applied to various boroughs with similar average residential values.
- 6.14 For the purposes of assessing the average private residential values per sqm across Lewisham, Land Registry data for various postcodes was assessed. This data was then compared with research of current development schemes across the Borough and other comparable residential values across the study area. Average values were then expressed using Lewisham postcodes, taking into account development focus on town centre areas, where it appeared higher values were achieved than reflect the norm for the rest of the postcode; and where postcodes transcended the Borough boundaries.
- 6.15 Current residential values were separated between flatted and housing schemes, with housing reflecting a 10% discount against the base value which is predominantly calculated using flatted schemes.

6.16 The table below sets out the assumed residential values based on data research, reflecting the 15 postcodes of Lewisham and the anticipated Land Value Benchmark premium. The Land Value Benchmark premium increases the more affluent the area.

Post Code	Average C3 Revenue per Sqm	Proposed C3 Land Value benchmark
SE9	£3,348	£3.00m
BR1	£3,369	£3.02m
BR3	£3,464	£3.11m
SE26	£3,627	£3.25m
SE12	£3,638	£3.27m
SE6	£3,778	£3.39m
SE15	£3,810	£3.42m
SE14	£3,832	£3.44m
SE4	£3,929	£3.52m
SE13	£3,972	£3.56m
SE23	£4,263	£3.83m
SE8	£4,521	£4.05m
SE3	£4,758	£4.26m
SE16	£5,113	£4.58m
SE10	£5,651	£5.06m

6.17 The map below demonstrates the geographical distribution of estimated sales values across Lewisham Borough.



KEY	£PSF
PINK	< 300
GREEN	< 350
BLUE	c. 450

### Estimating potential non-residential values

6.18 Review of non-residential uses showed less geographical variation in the potential values across the Borough for commercial properties; therefore it was decided to use an average rate which reflects the borough wide non-residential use class value.

6.19 Based on our research, LSH estimate the following values can be used as Lewisham averages for the various non-residential uses:

Use	Rent £/sqm	Rent £/sqft	Yield
New Build B1	£194	£18	8.5%
New Build A1	£215	£20	8%
New Build Large A1	£242	£22.5	5%
Use	Per room		Yield
Hotel C1 (80 rooms)	£5,500		6%

6.20 LSH have applied a different premium to the base land value of industrial land to reflect several other uses within the model. The table below sets out the anticipated premium required above industrial land value to deliver borough wide land value benchmarks for various land uses.

Premium	Land Use	
5%	A1	High St retail
30%	A1L	Supermarket
0%	B1	Office
5%	C1	Hotel
20%	C3	Residential

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# 7 Modelling Outputs

## Stage 1: Base modelling

### Mixed Use/Housing

- 7.1 In order to assess the impact of the geographic distribution on mixed-use (predominately residential, C3-Use) developments across the Borough, the base set of assumptions were applied to the model with the anticipated revenue varied to reflect the 15 identified postcodes. Reviewing the impact of a CIL on residential development is made particularly difficult due to the variability of affordable housing, which is also based on viability.
  
- 7.2 For the purposes of base modelling, affordable housing was fixed at 35% and a 70/30 split between Social Rented and Shared Ownership units. Furthermore, it was assumed in the base model that Social Grant funding would not be available. C3 use developments were assessed in three formats 1) 100% Flats (C3F), 2) 100% House (C3H) and 3) A mixed development with 20% of the floor area being non residential (C3M). In the first instance C3M was assessed on a flat CIL rate across all uses within the scheme.
  
- 7.3 The residential CIL rate was generated for each postcode based on viable schemes reflecting the Benchmark Land Value. Therefore Stage 1 showed a wide range of potential CIL values that would be achievable in different parts of the borough and would not impact on viability taken as a whole across the area.

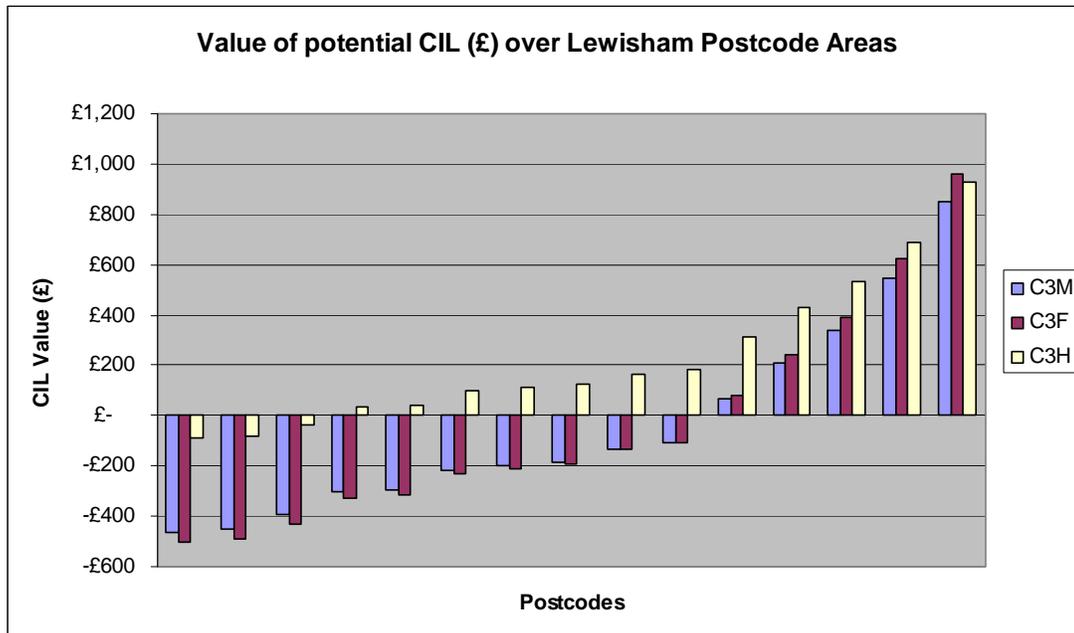
Example Mixed Use Scheme:

Assumptions		
Post Code	SE23	
Site Area	1.0	Hectares
No. Units	200 flats	
Affordable Housing	35%	
Affordable Mix	70:30 Rented: Shared	
Commercial sqm	20% of GIA	
Commercial Mix	70:30 B1:A1	
Total Revenue		£52.8m
Build Costs		£28.4m
Development Costs		£7.5m
Finance	7%	£1.3m
Section 106	£13 per sqm	£0.2m
Mayor CIL	£35 psqm	£0.4m
LBL CIL		£0.6m
Profit	18% on GDV	£9.6m
Net Residual Land Value	After costs	£4.3m
Benchmark Value		£4.3m

7.4 The same approach was applied to a housing only scheme (C3H). However the units and build costs were altered to reflect 2 storey housing, rather than flats. No commercial space was included in the scheme. Example Housing Scheme:

Assumptions		
Post Code	SE26	
Site Area	0.5	Hectares
No. Units	25 House	
Affordable Housing	35%	
Affordable Mix	70:30 Rented: Shared	
Total Revenue		£7.2m
Build Costs		£3.0m
Development Costs		£0.8m
Finance	7%	£0.14m
Section 106	£13 per sqm	£0.04m
Mayor CIL	£35 psqm	£0.05m
LBL CIL		£0.5m
Profit	17% on Cost	£1.2m
Residual Land Value	After costs	£1.83m
Benchmark Value		£1.83m

7.5 The base model assumes that each scheme in each postcode delivers 35% affordable housing with a 70/30 tenure mix of Social Rented/Shared Ownership. The graph below shows that under these circumstances some postcodes can not deliver a CIL and 35% affordable housing in all cases, while some postcodes can deliver both a CIL up to nearly £1,000 and 35% affordable housing.



7.6 It would appear from the above graph that Housing schemes can deliver a more viable CIL than Flatted units; however, it is important that a single viable CIL rate for all C3 properties can be delivered, therefore a reasonable rate needs to be concluded which works for all C3 developments.

## Non-Residential Models

7.7 The model was also able to assess commercial development in Lewisham. Various simple schemes were assessed including:

- A1/B1 Mixed use High Street development
- A1 single retail unit
- B1 Stand alone business space
- A1L Larger retail unit – Supermarket
- C1 Budget Hotel

7.8 The schemes were assessed on the same base assumptions as that chosen for the residential schemes. A model was also run on a purely retail scheme which would reflect larger retail development, such as a superstore.

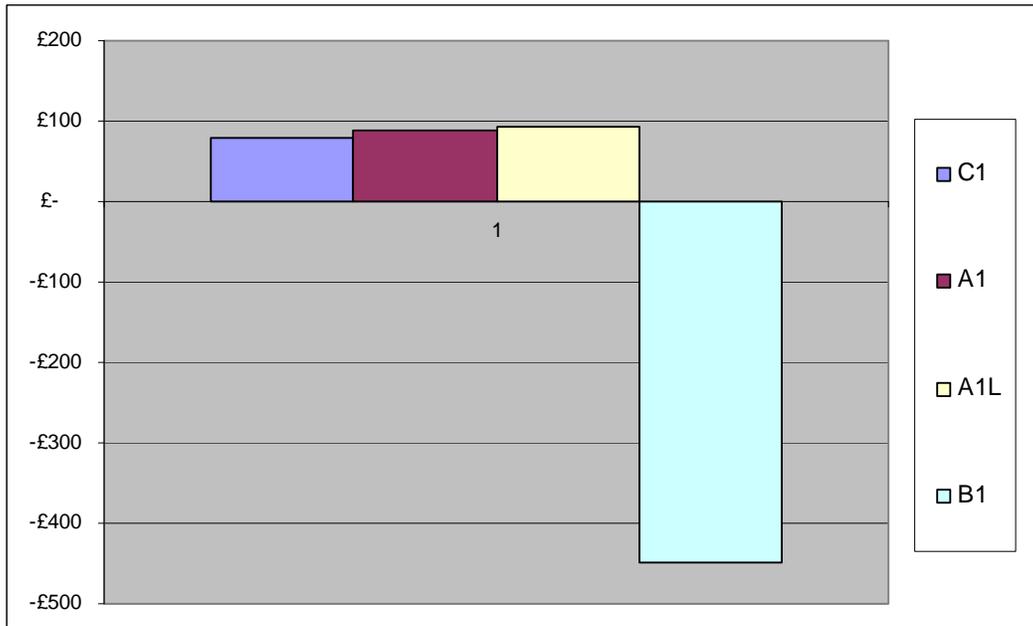
Example: A1 L (Superstore)

Assumptions		
Post Code	Borough wide	
Site Area	1 hectare	
NIA	4,645 sqm	
Rent	£20 psqm	
Yield	c.5.5%	
Total Revenue		£18.28m
Build Costs		£7.5m
Development Costs		£2.15m
Finance	7%	£0.35m
Section 106	£13 per sqm	£0.60m
Mayor's CIL	£35 psqm	£0.17m
LBL CIL		£0.42m
Profit	20% on GDV	£3.65m
Residual Land Value	After costs	£3.67m
Benchmark Value	Industrial plus 30%	£3.67m

Example Non-Residential Scheme: Hotel (C1)

Assumptions		
Post Code	Borough wide	
Site Area	0.20 hectares	
Commercial sqm NIA	2,2,10 sqm	
Commercial Mix	C1	
Bedroom value	£5,000 per room	
Yield	6%	
Total Revenue		£6.66m
Build Costs		£3.36m
Development Costs		£0.92m
Finance	7%	£0.16m
Section 106	£11 per sqm	£0.02m
Mayors CIL	£35 psqm	£0.08m
LBL CIL		£0.15m
Profit	20% on GDV	£1.33m
Residual Land Value	After costs	£0.6m
Benchmark Value	Industrial plus 20%	£0.6m

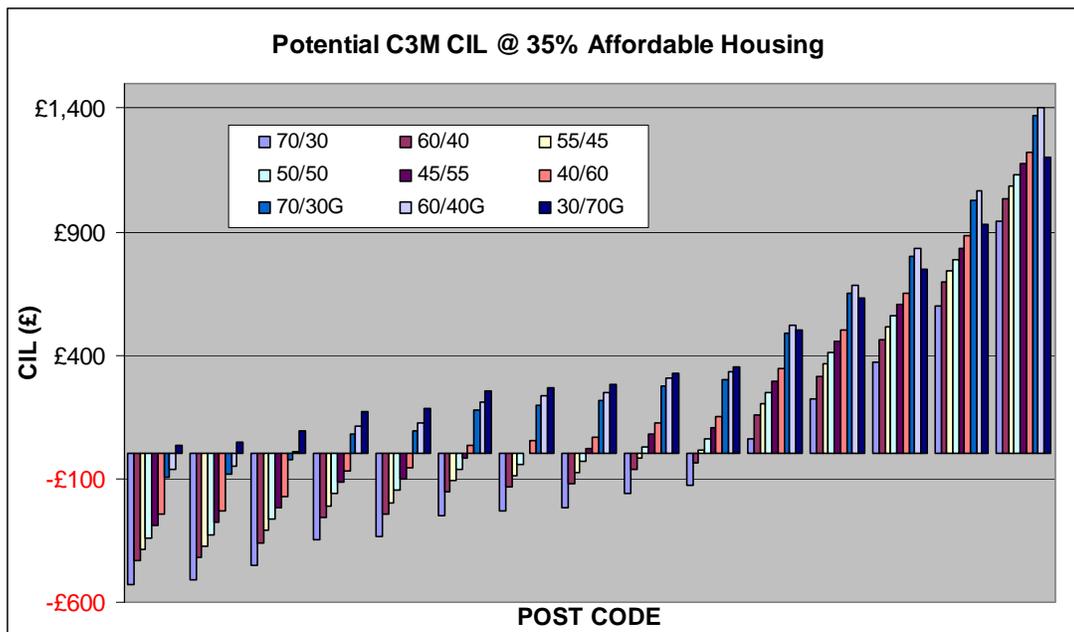
- 7.9 The below graph demonstrates the viable CIL available for each of the non-residential use classes based on fixed assumptions across the Borough. It is possible to see that C1 and A1 uses appear to be able to support a viable CIL of an average of £80 per sqm. However, B1 would appear unable to support any CIL contribution and remain viable.

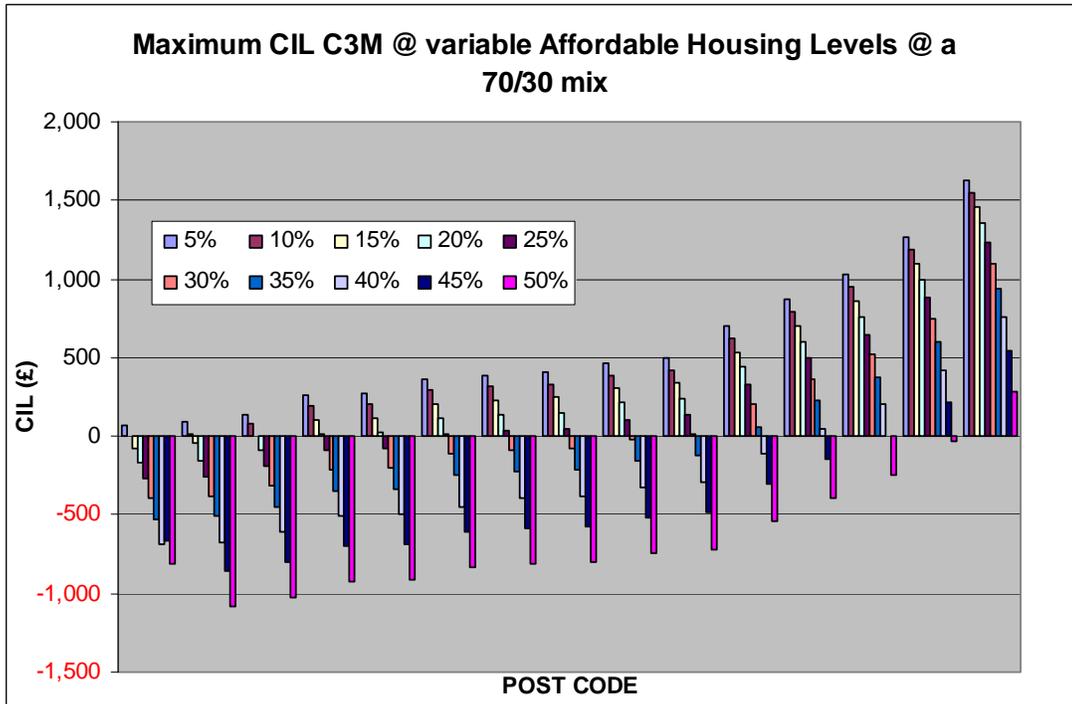


7.10 LSH concluded that a single CIL rate may be applied to non-residential uses developed within the Borough.

## Stage 2: Assessing Sensitivity

- 7.11 It was clear from Stage 1 that residential models delivered a wide variance of CIL levels based on the base assumptions. LBL policy has a **strategic** overall target of for affordable housing of 50%, whilst for CIL liable developments the strategic target is 35%. As this total is strategic, individual schemes or postcodes are permitted to deliver more or less than 35% providing that the borough wide total still meets the 35% target. The result of this is that some postcodes may be able to afford CIL if the rate of affordable housing is lowered and the shortfall is made up by those areas that can afford high levels of both CIL and affordable housing.
- 7.12 Furthermore it was possible to see that most non-residential uses could support a CIL contribution of approximately £80 per sqm; whilst B-use classes appeared unable to support CIL. Therefore, the model was re-run and non-residential uses were included in the mixed use schemes (C3M) at £80 for all uses other than B1, which was given a £0 CIL contribution.
- 7.13 This approach created potential viable CIL rates at different affordable housing percentages and mixes across the Borough. Examples of this sensitivity test are set out in the graphs below:





7.14 LSH also undertook a sensitivity analysis to review the impact on deliverable CIL if the affordable housing mix and grant levels were altered or if revenues changed. The sensitivity analysis supported the ability for various parts of the Borough to be grouped by their potential CIL contributions and demonstrated the ability of schemes to cope with fluctuations in market conditions with any proposed CIL.

7.15 From this analysis it was possible to see how variations to inputs affect the potential deliverable CIL rate and enabled LSH to conclude its approach to achieving a reasonable CIL across the Borough. LSH suggested that postcodes could be grouped to deliver several tiers of CIL contribution, in a similar way to how the Mayor's CIL was categorised.

### Stage 3: Refining the CIL

- 7.16 Through modelling base scheme assumptions and sensitivity testing, LSH were able to identify the viable CIL for C3 uses whilst maintaining as much affordable housing as possible. In addition LSH were able to establish that non-residential use classes, other than B-Classes we able to deliver £80 per sqm across the Borough.
- 7.17 It was notable through the sensitivity testing that the results from various postcodes for residential development clustered around particular levels of CIL. This cluster effect delivered three potential tiers of viable CIL rate across the Borough.
- 7.18 As part of the tests LSH reviewed balancing the CIL with the Affordable Housing percentage, based on a 60/40 tenure mix of Social Rented and Shared Ownership properties. This test again demonstrated tiers in the viable residential CIL rate. ,
- 7.19 The resulting analysis demonstrated that the average CIL which could be achieved across the borough may be circa £72 per sqm and would deliver an average of 33% affordable housing at a 60/40 tenure mix.
- 7.20 However, as previously demonstrated, the viable CIL rate for residential development roughly falls into three tiers by postcode, therefore LSH analysed three CIL rates based on the clustering of CIL values, to ensure the most benefit from the deliverable CIL across Lewisham. The proportion of anticipated development was then applied to each postcode across the Borough as per the table below.

Post Code	Proportion of Development	CIL Grouping
SE9	0.5%	Band 3 28.5%
BR1	0.5%	
BR3	0.5%	
SE26	1%	
SE12	1%	
SE6	25%	
SE15	0.5%	Band 2 43.5%
SE14	1%	
SE4	3%	
SE13	32%	
SE23	7%	
SE8	20%	Band 1 28%
SE3	4%	
SE16	3%	
SE10	1%	

7.21 The following three tiered approach for residential development was established:

CIL for C3 Use Class	Avg CIL
CIL Band 3	£33
CIL Band 2	£76
CIL Band 1	£125

## Discussions with LBL

7.22 Following Stage 3, analysis was undertaken to ensure that the proposed CIL Bands were representative of reality in the borough. As discussed previously in paragraph 6.9, town centres have been seen to hold greater value than the surrounding post code and this is true of the major centre of Catford. Increased values in the town centre of Circa 10-20% mean that viability in the town centre is actually in line with residential CIL Band 2, whereas the post code in which it sits, SE6, is in residential CIL Band 3.

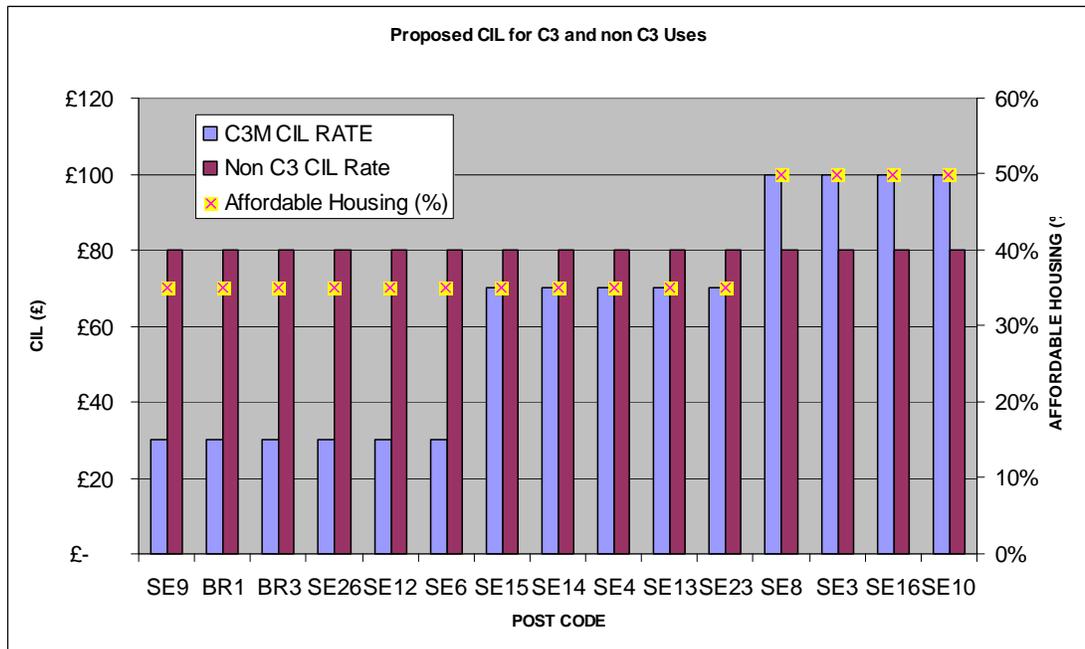
7.23 Since the major regeneration of Catford town centre is due to take place during the CIL chargeable period (including potentially 1,500 dwellings and 20,000sqm of new retail) , it is important to LBL to ensure it is being charged the appropriate CIL rate. Therefore LBL decided it was both appropriate and include this area into residential CIL Band 2, based upon the increased sales value and hence improved viability in Catford town centre compared to the rest of SE6.

7.24 Data provided by LBL showed that the re-designation of Catford town centre removed over three quarters of the proposed development in the CIL period from residential CIL Band 3, leaving just 6.5% of boroughwide development expected in this zone (less than 80 units per year). Additionally, the anticipated development is due to be located on small sites providing less than 10 residential units and therefore not required by planning policy to deliver affordable housing.

7.25 Further analysis showed that without the need to provide affordable housing, residential development in all cases in CIL Band 3 could afford to, at least, deliver the residential CIL rate at the level of Band 2 (£76/sqm). Therefore, it was proposed to remove residential CIL Band 3 and proceed with two residential bands as follows:

CIL for C3 Use Class	Avg CIL
CIL Band 2	£76
CIL Band 1	£125

7.26 It should be noted, that this further analysis did not affect the viability evidence regarding non-residential development, as B class uses remain unviable across all postcodes, while all other non-residential continues to afford £80/sqm.



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## Stage 4: Benchmarking

7.23 LSH reviewed the proposed CIL contributions of various other viability studies commissioned by other Authorities, to ensure the proposed rates are comparable.

Authority	Residential CIL (£psqm)	Non-residential CIL (£psqm)
Shropshire	£80 (Urban) £40 (rural)	£0
Redbridge	£70	£70
Croydon	£120	£20 (centre) £0
Wandsworth	£250	£100
Portsmouth	£105	£0

7.24 LSH noted that several other studies had identified a singular CIL rate, such as Redbridge and Croydon, or identified an urban and non-urban rate, such as Shropshire. Each study should be considered in its own context, and it is recognised that any CIL rate reflects a generalised approach to viability across the study area, therefore, this approach maybe acceptable depending on their objectives.

7.25 However, LSH conclude that applying a single rate across Lewisham, due to its variations in market values, may lead to a restriction in potential viable development in parts of the Borough, whilst not ensuring the full potential CIL is delivered from more viable schemes. Therefore, such an approach may lead to a CIL which has a detrimental affect on development across the Borough, restricting development to particular hot spots.

7.26 Any assessment of the impact of CIL on the viability of development schemes is susceptible to challenge based on the assumptions chosen. However, LSH's approach has been to restrict challenge through the use of accurate property values, both in land and sales revenue using thorough research. This approach should ensure more schemes across the Borough as a whole can deliver CIL contributions.

7.27 LSH are of the opinion that a CIL proposal which recognises the variations in geographical location and use, where appropriate, is likely to be more suitable both for the borough as a whole and for particular schemes.

7.28 Several of the proposed CILs in other authorities also appear to have included an inflationary element to residential value to ensure the maximum CIL is achieved over the life time of the Plan period. However, this approach restricts the potential for schemes to be viable in the current economic climate and does not assume that costs rise at a similar rate or allow that

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sales values could decrease. However, LSH understand that CIL will be index linked using the "All-in Tender Price Index published from time to time by the Building Cost Information Service of the Royal Institution of Chartered Surveyors" (Reg 40), therefore the Lewisham CIL will use this.

7.29 LSH would suggest that Lewisham identify a CIL which is deliverable in the foreseeable future, enabling flexibility both in growth and decline of revenue values and enable them a review mechanism at a set point in the plan period to ensure the viability assumptions are still reasonable. Rather than waiting for improved market conditions to deliver the proposed CIL, the approach taken in this report would ensure a larger quantum of development is viable as the market improves and therefore maximises the potential CIL deliverable over the plan period.

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## 8. Conclusions & Recommendations

### Delivering CIL

- 8.1 The purpose of this study was to provide an evidence base to ascertain the potential deliverable Community Infrastructure Levy for Lewisham, whilst maintaining the viability of potential development (taken as a whole) within the Borough.
- 8.2 In concluding a proposed CIL, LSH have also given consideration to other important factors for LBL, such as, areas of anticipated growth, encouraging private C3 and B1 development activity within the Borough and maintaining planning policies such as Affordable Housing provision.
- 8.3 LSH assessed data collected in the Borough using a Residual Viability Model to identify the potential CIL across a wide range of development variables. Given the requirement for a simple and robust CIL which is applicable across a wide geographical area and set of use types, the approach taken has been made using assumptions which reflect a reasonable average. It should be noted that the methodology is not designed to produce a maximum possible CIL rate, but through using reasonable, achievable and robust information and working closely with the Local Authority it delivers a proposed implementable CIL rate. It is possible that the assumptions will not accurately demonstrate the potential viability of individual schemes, however, the methodology chosen is hoped to limit the potential schemes which cannot support a CIL contribution over the plan period, through taking account of variations in value.
- 8.4 In concluding a proposed CIL charge, LSH considered a number of factors which will influence the ability for developments to maintain viability:
- Impact of use.
  - Impact of location.
  - Affordable Housing.
- 8.5 Through analysis, it was apparent that most non-residential uses were less influenced by geographical variation than those of residential schemes. It appeared that several uses including A1 and C1 delivered similar viability outputs, whilst B uses appear to be unable to support any CIL, due to the lack of strength in the commercial market.

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- 8.6 Furthermore, LSH noted in its analysis that there is a strong correlation between potential residential land values and geographical location. Lower value areas, would appear unable to support a CIL equal to that of high value areas, whilst remaining viable.
- 8.7 LSH concluded that it was possible to apply a single rate for non-residential uses irrespective of geographical location. However, the significant variations in residential viability outputs across the Borough suggest it would be inappropriate to apply a single residential CIL rate across the Borough, as the total potential CIL contribution and development potential across the Borough would be compromised.
- 8.8 Regulation 13 enables variation in the proposed CIL rate both by Use and by Area; however it also concludes that the proposed CIL should introduce simplicity and transparency to planning contributions.
- 8.9 LSH, therefore propose the CIL rate be separated between category “A” Residential and category “B” non-residential uses. Category A CIL would vary by geographical location, whilst Category B would remain constant across the Borough. LSH would however, propose that B1 and B8 use classes do not pay a CIL due to the negative impact on viability of such schemes and are classed as category “C”.
- 8.10 To maintain simplicity and transparency LSH propose that areas are aggregated into CIL bands reflecting similar viability in different parts of the Borough. This approach reflects that used in CILs proposed in Croydon and Shropshire.
- 8.11 To ensure that the imposition of CIL (taken as a whole across the Borough) will not have a detrimental effect on the economic viability of development across the Borough LSH propose CIL be separated by geographical bands, with the more affluent parts of the Borough capable of supporting a higher CIL than less affluent areas. Furthermore, through sensitivity analysis LSH concluded that 35% affordable housing may be deliverable in all CIL bands.
- 8.12 A similar approach was used in the Mayor’s CIL proposals, where CIL bands were applied to various boroughs with similar average house prices.

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### Proposed Viable CIL rates

8.13 LSH has given consideration to the potential development anticipated in various areas of the Borough and have concluded that the below CIL area bands would enable LBL to deliver a viable CIL contribution for the various types of development across the Borough.

CIL Area Band	Category A CIL Rates (£/sqm)	Category B CIL Rates (£/sqm)	Category C CIL Rates (£/sqm)
1	£100	£80	£0
2	£70	£80	£0

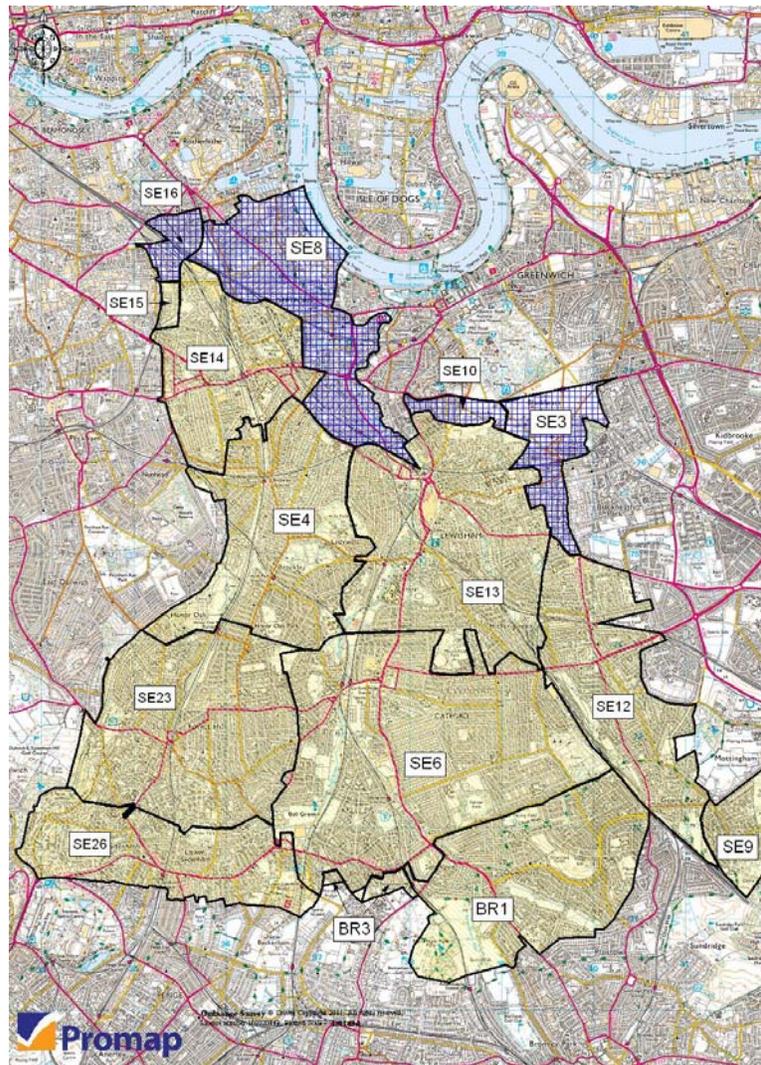
Category A: Residential use-classes

Category B: non-residential use-classes

Category C: B1 & B8 uses

## Proposed Band distribution

8.14 LSH propose that the CIL area bands reflect geographical variation based upon postcodes. Postcodes are proposed as they are transparent and accepted and used to define area boundaries. Furthermore postcodes are used throughout the property industry including the Land Registry to identify variations in property values. The geographical distribution is demonstrated in the table and map below:



CIL BAND	C3 CIL Rate	Non-C3 Rate
1	£100	£80
2	£70	£80

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### Anticipated Funding Raised by CIL

8.15 Based on the proposed CIL bands LSH estimate that the funds shown in the table below could be generated to support the development of infrastructure in the Borough: TBC

Use Type	GIA Floor space (Sqm)	Potential CIL Revenue
Category A	210,000	£16m
Category B	50,000	£4m
Category C	-	-

18.16 It would appear from the above analysis that an infrastructure levy of £269 per sqm is currently unachievable whilst delivering viable development schemes as a whole within the Borough which meets other planning policies, such as affordable housing.

18.17 LSH conclude that based on the proposed CIL rates there would be an infrastructure funding gap of circa £50m.

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# Appendices

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# Appendix One

## Key regulations we have had regard to in preparing this Assessment

Regulation	Description	Summary
12	Format and content of charging schedules	A draft charging schedule must set the rate of CIL at pounds per square metre, identify where any differential rates apply (including a map if they are based on zones/ geographical areas), and an explanation on how the chargeable amount will be calculated.
13	Differential Rates	A charging authority can set differential rates based either on development in geographical areas or on the different intended use of development
14	Setting Rates	A charging authority must strike an appropriate balance when setting a rate of CIL between the desirability of funding infrastructure from CIL and the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area. In considering the impact of CIL in economic viability a London Borough council must take account the amount set by the Mayor.
15	Consultation	A charging authority must undertake consultation on the preliminary draft charging schedule and
16	Publication	A minimum of a 4 week consultation must be undertaken on published draft charging schedule inviting representations before a draft charging schedule is submitted for examination.
28	Effect	A charging schedule will have effect on the day after the day that it is published.
40	Calculation of chargeable amount	The chargeable amount is an amount equal to the aggregates amounts of CIL chargeable at each of the relevant rates. Where that amount is less than £50 the chargeable amounts is deemed to be zero. The amount of CIL chargeable must be calculated by applying the formula in the regulations. Index figure in the formula is the national All-in Tender Price Index published from time to time by the RICS.
42	Exemption for minor development	Liability for CIL does not arise on developments with a GIA of less than 100sqm, but not where this would comprise one or more dwellings.
43 - 44	Exemption for charities	CIL liability is exempt where the use of the land or property is mainly for charitable purposes. Relief from CIL may also be given for charitable investment purposes.
49-50	Social Housing Relief	CIL is not chargeable on housing that is social rented (range of circumstances) or shared ownership.
55	Exceptional Relief	A charging authority may give relief from CIL in exceptional circumstances.
59	Application	A charging authority must apply CIL funding to infrastructure. This can also occur outside of its area where to do so would support the development of its area.
61	Administrative Expenses	A charging authority may apply CIL to administrative expenses incurred by it in connection with CIL.
62	Reporting	A charging authority must report, on an annual basis (financial year) the total amount of CIL receipts and expenditure, including a summary of items to which CIL has been applied, and the total amount of CIL receipts retained at the end of the reported year.

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# Appendix Two



# Community Infrastructure Levy Across England

## Introduction

The table below provides details of the authorities in England most advanced with the preparation of their Community Infrastructure Levy Charging Schedule. The proposed rates and how they will be applied are detailed, as well as the dates the authorities are currently working to.

<b>Proposed Community Infrastructure Levy</b>					
<b>LOCAL AUTHORITY</b>	<b>ACTUAL OR PROPOSED CIL LEVY</b>			<b>CURRENT STAGE/ TIMETABLE</b>	
<b>London Borough of Croydon</b>	Croydon's proposed CIL levy is as follows:			The Borough is consulting on their draft Charging Schedule from 12 September until 24 October 2011.	
		<b>Proposed CIL rate (£ per sq m)</b>			
	<b>Use</b>	<b>Croydon Metropolitan Centre</b>	<b>Rest of Borough</b>		
	Residential – Dwelling Houses (C3)	0	120		
	Business (B1, B2-B8)	20	0		
	Institutions (C2) (D2)	0			
	All other uses	120			
<b>London Borough of Redbridge</b>	Flat rate across the borough of <b>£70 per sq m.</b>			Charging Schedule has been examined and found to be an appropriate basis for the collection of the levy within the Borough.  A Full Council decision on the adoption of the Levy is expected in November 2011.	
<b>London Borough of Wandsworth</b>	Various rates depending on type of development and location:			The Borough's current indicative timetable is to submitted the draft Charging Schedule for examination in Dec 2011/ Jan 2012, with an anticipated adoption in May/ June 2012.	
	<b>Area</b>	<b>Residential Development</b>	<b>Office or Retail Development</b>		<b>All other Development</b>
	Nine Elms Residential Area A	<b>£575 per sq m</b>	<b>£100 Per sq m</b>		<b>£0 per sq m</b>

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# Appendix

# Three



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# London Borough of Wandsworth

## Community Infrastructure Levy Charging Schedule (Draft)

(June 2011)

### Introduction

The London Borough of Wandsworth is one of the few London Boroughs that have produced a Community Infrastructure Levy (CIL) draft charging schedule, as introduced by the Planning Act 2008.

### Infrastructure Need

The Borough approach to infrastructure need and costs was to ascertain what would be included through a two phased approach. The first phase covers the initial 5 year period, which included planned projects, and those identified as being able to be delivered. The second phase includes major planned infrastructure projects identified in the Core Strategy, supplemented by estimates of cost for providing future infrastructure.

The Borough have decided to update the assessment of Infrastructure costs and need every 3 years, and at the same time the CIL rate will also be reviewed.

### The Proposed CIL

There starting point for their CIL rate was to have a single tariff, based on that with the exception of two areas, the rest of the borough is likely to have the same infrastructure need. The single tariff was also considered appropriate to minimise administrative burdens, despite the fact that the evidence showed that the Borough would be able to charge more on some areas.

The Borough has identified the Nine Elms area and Roehampton area as 'benefiting from a distinction' from the rest of the borough. The Roehampton Exemption Area has been identified due to the comprehensive regeneration required in this area, as well as infrastructure to meet existing deficiencies.

The 'Nine Elms Area' forms part of a wider Opportunity Area (Nine Elms, Vauxhall and Battersea). Due to the scale of development in this area, a higher level of infrastructure has been identified compared to the rest of the Borough.

The proposed CIL rates in Wandsworth are based on economic viability assessments. The Nine Elms area had a specific study undertaken to determine the appropriate level of CIL. The rest of the borough was subject to 2

assessments. The first, assessed the level of additional charge that could be made for infrastructure across various residential scenarios and different levels of affordable housing provision. This assessment formed part of the evidence base for the Core Strategy. A further assessment was completed for other types of development.

### How will the Wandsworth CIL be applied?

The Borough are applying there CIL charging schedule to all relevant areas of the borough and all forms of development. The calculations of CIL will be based on the net additional floorspace created (measured as Gross Internal Area), with deductions applying in accordance with the regulations.

The Borough, in addition to the exemptions to in the regulations will be seeking a nil rate for proposals where the primary use is for either education; medical and health; and community services. Viability will also be considered where the levy would make development economically unviable to implement.

As a collecting authority for the Mayor of London, Wandsworth are also going to levy a further £50 per sq metre in addition to the borough's CIL charge. The Borough's charge will also be indexed linked.

Proposed CIL Rates			
Area	Residential Development	Office or Retail Development	All other Development
Nine Elms Residential Area A	£575 per sq m	£100 Per sq m	£0 per sq m
Nine Elms Residential Area B	£265 per sq m	£100 per sq m	£0 per sq m
Roehampton Exemption Area	£0 per sq m	£0 per sq m	£0 per sq m
All other areas of the Borough	£250 per sq m	£100 per sq m	£0 per sq m



<b>Proposed Community Infrastructure Levy</b>					
<b>LOCAL AUTHORITY</b>	<b>ACTUAL OR PROPOSED CIL LEVY</b>				<b>CURRENT STAGE/ TIMETABLE</b>
	Nine Elms Residential Area B	<b>£265 per sq m</b>	<b>£100 Per sq m</b>	<b>£0 per sq m</b>	
	Roehampton Exemption Area	<b>£0 per sq m</b>	<b>£0 per sq m</b>	<b>£0 per sq m</b>	
	All other areas of the Borough	<b>£250 per sq m</b>	<b>£100 Per sq m</b>	<b>£0 per sq m</b>	
<b>Newark and Sherwood District Council</b>	<ul style="list-style-type: none"> <li>▪ The district is divided into 8 zones</li> <li>▪ £0 CIL charge for Hotels, residential institutions, B1a offices, community uses, leisure, agricultural uses and Sui Generis.</li> <li>▪ Residential CIL charges vary from £0 to £75 per sq m.</li> <li>▪ Industrial CIL charges are £0 in 5 of the zones and between £5 to £20 per sq m in the remainder.</li> <li>▪ All zones are charged £100 per sq m for retail development, apart from Newark Growth Point where the charge will be £125 per sq m.</li> </ul>				Their charging schedule has been found an appropriate basis for their CIL. A report was approved by Full Council in September and the authorities CIL will come into effect on 1 <sup>st</sup> December 2011.
<b>Shropshire Council</b>	<ul style="list-style-type: none"> <li>▪ £40 per square metre of new residential development in Shrewsbury, the Market Towns and Key Centres</li> <li>▪ £80 per square metre of new residential development elsewhere</li> <li>▪ Nil Levy rate for affordable housing</li> <li>▪ Nil Levy rate for employment-related and other non-residential types of development</li> </ul>				The levy will come into force on 1 <sup>st</sup> January 2012.
<b>Portsmouth City Council</b>	<ul style="list-style-type: none"> <li>▪ All types of development, apart from those mentioned below: basic CIL rate of £105 per sq m</li> <li>▪ A1-A5 In-centre retail of any size and small (&lt;280sqm) out-of-centre - £53 per sq m</li> <li>▪ B1(a); B1, B2, B8 Office and Industrial - £0 per sq m</li> <li>▪ C1 Hotels - £53 per sq m</li> </ul>				The council submitted their Charging Schedule for examination on 15 <sup>th</sup> August. There have been no requests for a hearing, and they are awaiting the Inspectors report.



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<b>Proposed Community Infrastructure Levy</b>		
<b>LOCAL AUTHORITY</b>	<b>ACTUAL OR PROPOSED CIL LEVY</b>	<b>CURRENT STAGE/ TIMETABLE</b>
	<ul style="list-style-type: none"> <li>▪ C2 Residential Institutions - £53 per sq m</li> <li>▪ D1 Community Uses - £0 per sq m</li> </ul>	
<b>Colchester Borough Council</b>	<p>The proposed levy rates in the Borough are:</p> <ul style="list-style-type: none"> <li>▪ Residential development – a rate of £120/m<sup>2</sup></li> <li>▪ Retail development in town centers or under 430/m<sup>2</sup> - £120/m<sup>2</sup></li> <li>▪ Out of centre retail development - £240/m<sup>2</sup></li> <li>▪ All other development - £0/m<sup>2</sup></li> </ul>	<p>Consultation on the Preliminary draft Charging Schedule ended on 9<sup>th</sup> September 2011.</p>



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# London Borough of Redbridge

## Community Infrastructure Levy Charging Schedule (Draft)

(June 2011)

### Introduction

The London Borough of Redbridge is the most advanced of all the London Borough's in developing a Charging Schedule for its Community Infrastructure Levy.

Following two periods of consultation early this year, the Borough submitted its draft Charging Schedule to the Planning Inspectorate for examination in June 2011. The Charging Schedule was examined in August 2011 and the Inspector's report found the Charging Schedule to be an appropriate basis for the collection of the levy in the Borough.

The Borough is due to present the CIL Charging Schedule to Full Council in November 2011 to formalise the adoption of the Levy.

### Infrastructure Requirements

The Council have produced a Community Infrastructure Plan (CIP) which forms the basis of the infrastructure requirements to underpin the Charging Schedule.

The CIP identifies the need and cost of infrastructure in the Borough until 2017 to support plans for 9,050 new homes in the borough (equating to approx 18,000 additional people).

The total cost of the infrastructure required was £227.8 million and this included the provision for education, transport, leisure centres, libraries, open space, requirements of the PCT/ NHS and further education provision.

The CIP suggested three different scenarios that were tested through the economic viability work by external consultants, completed in July 2010. The three proposed scenarios tested are outlined in the adjacent table.

The viability assessment of the Borough's CIL tested the three scenarios, following a residual land value methodology, and adopting what the Examination Inspector considered to be "reasonable standard assumptions for a range of factors such as building costs, profit and fees".

The viability assessment output tables showed that in a recovering market with values approaching those reached in 2008, the mid range CIL rate of £69/sqm is likely to be viable. This assumed the provision of 30% affordable housing with grant.

Proposed Charging Scenarios to Test through Economic Viability Assessment			
Charge for new residential floor area	Total charge for an average new dwelling of 72sqm floor area	Total average annual receipt based on planned rate of housing construction	Reason for selecting scenario
Scenario 1: £23/sqm	£1,656	£1.5 million	Low end based on demonstrated S106 performance
Scenario 2: £69/sqm	£4,968	£4.5 million	Mid point of low and high scenarios
Scenario 3: £107/sqm	£7,704	£7.0 million	High end based on maximum theoretical S106 returns

### The Proposed CIL

Redbridge's Community Infrastructure Levy is a flat rate across the whole geographical area of the borough of £70 per sq m, applying to all types of development that qualify. The only exemptions that will apply as those set in the regulations including affordable housing and buildings used for charitable purposes.

The Borough will update the CIL rate annually for inflation, in line with the RICS "All in Tender Price Index".



# The Mayor of London

## Community Infrastructure Levy Draft Charging Schedule (June 2011)

### Introduction

The Mayor of London published his Community Infrastructure Levy Draft charging Schedule in June 2011. The Mayor's CIL will contribute towards the costs of Crossrail, with the proposed levy aiming to generate £300 million by 2019. The levy CIL will be applied differentially across London, with each London Borough falling into one of three zones. This commentary provides more detail on the basis and methodology of the Mayor's CIL.

### Mayor of London – CIL Regulations

Under the powers set out in Part II of the Planning Act 2008 and the Community Infrastructure Levy Regulations 2010, the Mayor of London can set a CIL rate to be paid by development that:

- Consists of buildings that are usually used by people.
- Has 100sqm or more of gross internal floorspace or involves creating one dwelling even where this is below 100sqm.

The London wide CIL is intended to be used to pay for the infrastructure needed to support an area's development, and under Regulation 59 the Mayor can only use it to fund road or transport infrastructure. The Mayor of London proposes that the money from CIL is used to fund Crossrail.

In London both the Mayor and the individual boroughs can bring forward a CIL Charging Schedule. However, within the regulations (regulation 14) Boroughs when setting their own CIL rate(s) have to take account of the amount the Mayor will be levying upon development within their area.

The recent proposed changes to CIL under the Localism Bill proposed to pass some of the funds raised within a

neighbourhood back to that neighbourhood. If the Localism Bill proposals receive Royal Assent then London Boroughs will have to implement this, this will not apply to the Mayor of London.

### Infrastructure Needs – Crossrail

The Mayor of London in drafting the charging schedule has given consideration to the infrastructure needs of Greater London and the desirability of using CIL to fund infrastructure.

The recently published London Plan forms the basis for determining the infrastructure needs and the plan identifies the predicted growth of the population, households and jobs in London – all of which would increase the demand for infrastructure. On this basis the London Plan emphasises the importance of infrastructure planning. Based on the infrastructure need and development information available the Mayor has estimated that London's overall infrastructure needs are between £55-75 billion. This figure includes a range of infrastructure such as education, health, transport and community. The Mayor identifies that the funding need for transport investment need appears to be greater than other infrastructure.

The Mayor's CIL can only contribute towards road and transport infrastructure. The Mayor has therefore proposed that this CIL is used to contribute to the funding gap for Crossrail.

The Mayor has made this decision on the basis that Crossrail is considered important to London and the wider South East for a number of reasons:

- Crossrail will alleviate pressure on existing underground and national rail lines.



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- £1.24 billion per annum by 2026 of economic, employment and transport benefits has been estimated.
- Crossrail will provide employment (approximately 14,000 jobs during the construction phase) and help London's construction industry.
- Crossrail is recognised to have wider social/economic benefits, with 3 key strategic objectives:
  1. Support development of London as a World City.
  2. Support economic growth of London by tackling congestion and the lack of railway capacity.
  3. Improve rail access in London.

The Mayor has sought to quantify the transport and economic benefits of Crossrail across London as part of the justification of funding Crossrail through CIL. The substantial economic benefit of Crossrail to the whole of London and the wider South East; and the benefits have been allocated to boroughs in which beneficiaries live rather than work as the benefits will most widely be felt through spending where people live.

These benefits have been modelled by the Mayor for the year 2026:

- annual economic benefit across all of London's Boroughs is estimated at £1.83 billion.
- 20 of 33 boroughs benefit by over £50 million
- Even the furthest geographical boroughs are projected to benefit significantly.

For the Borough of Lewisham the Mayor has estimated that the annual transport and earnings

benefits from Crossrail will be £65 million (2026, at 2010 prices).

### **Crossrail Funding through CIL**

The evidence collated on the benefits of Crossrail by the Mayor has led to the study supporting the Mayor CIL charging schedule to consider that Crossrail is critical to the planned development increases for major economic centres in London such as Canary Wharf and the Thames Gateway, as well as the wider benefits perceived across all London Boroughs.

The funding of Crossrail is due to come from a variety of sources including £4.7bn from the Department of Transport and £7.1bn from Transport for London (TfL). The Mayor's target through CIL is to raise £300 million by March 2019. This is in addition to the sums raised from other sources such as the Business Rates Supplement.

Although this is a relatively small element of the overall budget, the study states that the consequences of this target not being met are the possible need to renegotiate the funding agreement, project delay and pressure on other parts of the TfL budget.

### **The Mayor's Charging Schedule**

The Mayor's charging schedule divides the London Borough's into three charging zones - Zone 1 £50, Zone 2 £35 and Zone 3 £20. Differential rates apply to the intended uses of Health and Education where the CIL rate is nil. Table 1 overleaf shows the proposed rate for each London Borough.

The Mayor has undertaken viability analysis on the draft charging schedule, which concluded that the



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“preliminary draft charging schedule would put at serious risk overall development of the area”.

chosen, this was due to the availability of data and it being seen as a logical approach. In the approach to testing the viability of CIL the study looked at house price data for each borough, as well as historical data on residential development and then producing a rolling 7 year forecast.

Zone	Borough	Rates (£ per sq. m)
1	Camden, City of London, City of Westminster, Hammersmith and Fulham, Islington, Kensington and Chelsea, Richmond upon Thames, Wandsworth	£50
2	Barnet, Brent, Bromley, Ealing, Greenwich, Hackney, Haringey, Harrow, Hillingdon, Hounslow, Kingston upon Thames, Lambeth, Lewisham, Merton, Redbridge, Southwark, Tower Hamlets	£35
3	Barking and Dagenham, Bexley, Croydon, Enfield, Havering, Newham, Sutton, Waltham Forest	£20

Table 1: Proposed charging rate by Borough

### The Evidence Base

When considering the economic viability of CIL across London regard was had to both the viability of development and the location of development land within London. The study also considers the options for the Levy either on use or through zones, recommending the “appropriate balance” for CIL in London.

In setting the basis for the CIL rate consideration was given to whether a flat or variable rate should apply. A differential rate was chosen as the preferred solution as it was considered to “better reflect the different economic circumstances across Greater London, the parts with the greatest land supply and priorities in the London Plan”. In setting the differential that would take account of differing viability in locations a borough by borough basis was

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# Appendix Four

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## Ward Commentary

### 1. **BLACKHEATH WARD (SE3; SE10; SE13;)**

This Ward is predominantly residential. The northern boundary extends to Shooters Hill Road, following its line east as far as Blackheath Hill (towards Deptford). At this point Phase 1 of the Heathside and Lethbridge Regeneration programme is currently underway on the western side. This part of the Ward contains older, Local Authority housing. The village of Blackheath contains shops, restaurants, public houses and the railway station. The area surrounding Blackheath Village contains substantial high value, period homes although some Local Authority apartments can be seen (c. late 1950s) (the Right to Buy scheme meant that many of these became privately owned). This is a high value area, and has the added benefit of the open space of Blackheath itself and Greenwich Park close by. A large part of the Ward forms the Blackheath Conservation Area. There has been little change in Blackheath. The Southern-most boundary is at Lee High Road. Lee High Road provides a long row of convenience shops and public houses heading west towards Lewisham town centre.

### 2. **LEE GREEN WARD (SE12; SE13)**

This Ward has a Sainsbury's supermarket on the corner of Lee High Road and Burnt Ash Hill. There is a shopping centre called Leegate (c.1960's) opposite and adjacent to this is Leybridge Court, a Local Authority housing estate of a similar era. Lee Conservation Area contains high value, substantial size period homes e.g Handen Road; Micheldever Road. Other roads contain Victorian terraced property, which although smaller or divided into flats, still form substantial family homes. Heading south along Burnt Ash Hill, Lee Station lies to the east and a new private residential development has been built adjacent to this. There are apartments which appear to be c. 1930's further up Burnt Ash Hill, after the first parade of shops, on the same side, and then opposite is the large Newstead Estate (Affinity Sutton acquired, social housing) which borders St Mildred's Road (which forms part of the A205 South Circular Road) at the southern edge of the Ward. Hither Green lies to the west of the Ward. This forms part of the Corbett Estate (a Victorian housing estate which is also part of the Lee Conservation Area). Again, this area consists of substantial size homes although many are now apartments, and some 1930's housing at The Woodlands (near Mountsfield Park). The Chiltonian Light Industrial Estate lies in Manor Lane. Hither Green railway station serves the locality where a new residential development is about to take place adjacent called The Biscuit Factory. Hither Green Hospital was replaced recently with a large residential development.

### 3. **GROVE PARK WARD (SE9; SE12)**

Grove Park Ward is in the south-eastern corner of the London Borough of Lewisham. Much of it is a housing estate which was built by the then Metropolitan Borough of Lewisham in the 1920's. The main road passing through it is called Baring Road which heads towards Bromley. Most of Grove Park falls within the SE12 postal code but the Chinbrook Estate falls within the SE9 postal code. Chinbrook Estate is comprised of two tall tower blocks and a mixture of terraced and semi-detached houses and some flats. There is a parade of

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convenience shops on Chinbrook Road. There is a railway station, called Grove Park station just off Baring Road. Baring Road also provides convenience shops which include a Somerfield and Tesco Express.

#### **4. DOWNHAM WARD (SE6; SE12; BR1)**

Downham Ward comprises a large 'cottage' style Local Authority housing estate built c.1924- 1933 (one of 8 built by the London County Council (LCC) on the outskirts of London). The Downham Estate provides an example of the council house building programme between the First and Second World Wars. The estate covered an area of nearly 600 acres and provided 7,000 homes to relieve overcrowding in Inner City Boroughs. The houses are mainly 2 storey with gardens. Trains stations which serve this Ward are Beckenham Hill and Grove Park and the main through road is the A21 Bromley Road. There are shops along this road which provide convenience shopping. There has been little change in Downham.

#### **5. WHITEFOOT WARD (SE6; BR1)**

This Ward contains Hither Green Cemetery and Forster Memorial Park along with the Excalibur Estate for which there are plans to re-develop and provide 371 new homes in conjunction with London & Quadrant. Whitefoot Ward borders Bellingham Road to the north and Shroffold Road to the South. There are no railway stations although railways lines form the main part of the Wards' boundary. The residential property is c.1930's, terraced housing. This is a predominantly residential area where little has changed.

#### **6. CATFORD SOUTH (SE6)**

Catford South contains a 'Defined Employment Area' (Bellingham Industrial Park) adjacent to the railway line to the West of the Ward. Part of the Ward to the West is designated a Conservation Area called Culverley Green which consists of mainly distinctive Edwardian housing covering: Culverley Road; Penerley Road; Bargery Road; Inchmery Road; Arran Road; Newquay Road; Bromley Road and Canadian Avenue and to the East more densely packed Victorian terraced homes. This is part of the Corbett Estate. Catford Bridge, Catford and Bellingham Stations serve the area although they do not fall within the Ward. This again is a predominantly residential area where there has been little change.

#### **7. BELLINGHAM (SE6; BR3; SE23; SE26)**

This Ward consists of Local Authority Housing built in the 1920's called the Bellingham Estate, which is similar to the Downham Estate (mostly 2 storey housing with gardens and some flats). There is a railway station – Bellingham – which serves the area (located at Randlestown Road. Randlestown Road is the local 'high street', containing various shops, including a supermarket and also a public house. At Bell Green is a large Sainsbury's Superstore and petrol filling station with a new development of affordable housing (London & Quadrant) to the front. Phase 2 is to be re-development of the old gas works as a retail and business park (Castlemore Estates acting for British Gas) alongside Sainsburys. Phase 3 will be a residential complex and small retail units on Bell Green. Lower Sydenham Station lies to the south in Kangley Bridge Road. To the lower South East of the Ward is Beckenham Place Park.

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## **8. SYDENHAM (SE26)**

Sydenham Ward contains the Sydenham Thorpes Conservation Area which consists of 6 roads with houses in the Edwardian style, built as an estate, and the Jews Walk Conservation Area which contains Gothic style houses. It also contains part of the Sydenham Park Conservation Area and Cobbs Corner Conservation Area. The Ward contains predominantly Victorian terraced housing, along with larger Victorian houses split into flats. Sydenham Road contains convenience shops and a Co-Op Supermarket together with a Public House. There are plans to regenerate Sydenham Road, planning details can be found on LB Lewisham's website. This Ward is served by Sydenham Station off Sydenham Road.

## **9. FOREST HILL (SE23; SE26)**

This ward is served by Forest Hill Railway Station. The housing style spans the 19<sup>th</sup> and 20<sup>th</sup> centuries. There are two Art Deco Mansion Blocks, Forest Croft and Taymount Grange, situated at the top of Taymount Rise. The Horniman Museum and gardens are within the Forest Hill Conservation Area. This Conservation Area also includes some large Victorian suburban homes on Manor Mount. There are quality local shops plus a Sainsbury's supermarket on London Road, together with a Tesco Petrol Filling Station quite close to the Horniman Museum. There are several other Conservation areas; Halifax Street Conservation Area, which contains Victorian railway workers cottages; part of Sydenham Hill Conservation Area which contains the commercial terraces along Dartmouth Road and part of Sydenham Park Conservation Area.

## **10. PERRY VALE (SE6; SE23)**

The A212 road, Perry Hill, passes through Perry Vale Ward. This is a long road which contains a Tesco Express and other convenience shops and has a small pocket of new residential development. The house styles here mostly range from Victorian Terraced to Gothic and Arts and Crafts (Victorian and up to 1910). There are also 'Christmas' houses (built by E C Christmas) in Perry Vale which date from 1901. There is a Conservation Area which includes Allenby Road and Garlies Road and comprises large high status Victorian homes. Mayow Park is contained within this Ward. This Ward is served by Forest Hill Railway Station as the western boundary follows the railway line.

## **11. CROFTON PARK (SE4; SE6; SE23)**

Crofton Park Ward includes Blythe Hill Fields and Honor Oak Park and is bordered by Brockley Cemetery. Crofton Park Station – located at Marnock Road/Brockley Road - is quite close to Brockley Station. Convenience shops are located in Brockley Road. The housing is predominantly Victorian which range from terraced to large detached high value homes. Crofton Park is also home to the Rivoli Ballroom (Grade II Listed), the Brockley Jack Pub/Theatre and the Arts and Crafts St Hilda's Church (1907), all of which have significant historic status. There is no Conservation Area and there has been little change in the area.

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## **12. RUSHEY GREEN (SE6; SE13)**

This Ward covers most of central, northern and western Catford. This Ward also contains Mountsfield Park. There is a railway station at Catford Bridge and the Council's Civic Suite and Town Hall are located in this Ward. Parts of Ladywell Fields fall within the boundary. Part of the South Circular Road is found here (Brownhill Road) which then follows the one way system on to Forest Hill. Eros House (Owen Luder, a significant Brutalist Architect) is to be found at the end of Brownhill Road and is Grade II listed. The Catford Shopping Centre, built in 1974, was also designed by Owen Luder. There is a busy shopping area, most of which can be found along the A21 Rushey Green Road. On the one way system (Plassy Road) there is Catford Island Shopping Centre. There are plans to demolish Milford Towers, a block of flats and multi storey car parking, by 2015, in order to re-develop the shopping centre, improve the road network and provide new homes and leisure facilities. Catford has been identified as one of 35 major centres in Greater London in the London Plan.

## **13. LEWISHAM CENTRAL (SE6; SE10; SE12; SE13)**

This Ward is currently undergoing an extensive programme of re-generation with new housing developments at Loampit Vale, Lewisham Gateway and Cornmill Gardens and River Mill Park. The High Street is particularly long and wide. The area is identified in the London Plan as one of 35 major centres in Greater London. Lewisham is an important transport hub with the Docklands Light Railway (DLR) stopping here, the overground railway (Lewisham Station) and a bus depot. The housing away from the High Street area is predominantly Victorian terraced together with larger, high status Victorian houses. Lewisham Shopping Centre is also due to be re-developed to provide additional residential accommodation above. University Hospital Lewisham serves the area. Lewisham College is on Lewisham Way.

## **14. LADYWELL (SE4; SE13)**

The Ladywell Conservation Area is large and includes Hilly Fields Park. This Conservation Area consists of mainly late Victorian suburban development, built by the local developer, Samuel J Jerrard through the 1880's and 1890's. The houses are distinctive in style and generous in size. Jerrard's development has survived almost completely with rich architectural detailing and forms the core of the Conservation Area. The Conservation Area also encompasses the commercial core of Ladywell Road which contains some of the oldest homes and public houses in the area and Edwardian shops that were constructed at the turn of the century. The Ward is served by Ladywell Station. Ladywell and Brockley Cemetery also lie within this Ward.

## **15. BROCKLEY (SE4; SE8; SE13; SE14)**

The northern boundary of this Ward is at New Cross Road, the eastern boundary runs from Deptford Bridge DLR station to Elverson Road DLR station and the West/South West border follows the railway line from the northern border at New Cross Road. There is another Railway Station, St John's at St John's Vale, which can only be accessed by a footbridge. Some of the oldest houses in Brockley are the cottages and shops which

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form a small terrace on Coulgate Street, just east of Brockley station. These are believed to date from 1833 and were probably originally associated with the Croydon Canal (filled in with the arrival of the railway). The majority of the housing is flat fronted Victorian terraced housing, some more modest inter-war housing and some infill (built on bomb sites). Much of north Brockley is a Conservation Area, a legacy of the Tyrwhitt-Drake family (late 19<sup>th</sup> Century) who built large Victorian, 3-4 storey houses and grand villas here. Brockley Cross (near Brockley Railway station) is the neglected corner but is subject to re-juvenation via collaboration on masterplanning between Brockley Cross Action Group and LBL – this focuses on the busy junction being difficult to negotiate both by pedestrians and drivers. Much of the housing in this area is pre and post-war terraces. There is a large Local Authority housing estate in Upper Brockley Road. Brookmill Park lies within this Ward and Goldsmiths College is to be found on Lewisham Way.

**16. TELEGRAPH HILL (SE4; SE14; SE15)**

The Haberdashers Company, which owned Telegraph Hill, developed the estate between 1875 and 1900. Large, generously proportioned semi-detached and terraced houses were built on the hill, which now forms a Conservation Area. There is a Victorian Park at the top of the hill which was re-opened in 2005 after being restored. The Haberdashers Company also established two schools here, Haberdashers Aske's School for Boys and later the Haberdashers Aske's School for Girls. Both schools are very popular. Telegraph Hill is served by New Cross Gate overground and underground rail services. The southern boundary of the Ward falls at Brockley Way, the west borders Peckham and also Nunhead Cemetery. The northern boundary is at New Cross Road.

**17. NEW CROSS (SE8; SE14; SE15; SE16)**

The land was owned by the Worshipful Company of Haberdashers from 1614, and when the manor house was demolished in the 1840s, the Haberdashers allowed terraces to be built to strict specifications. Buildings on New Cross Road are larger, many being houses with shops built later in their front gardens. Distinctive late-Victorian buildings can be seen at the junction with Queen's Road by the roundabout. The southern border of this Ward lies at New Cross Road. The western boundary borders Southwark, the east borders Deptford Creek and the northern boundary borders part of the railway line, Trundley's Road, part of the Green Corridor and back up to the railway line at Payne Street. Within this Ward lies Surrey Canal Triangle, a regeneration area of 10.74ha consisting of industrial estates and yards at the western end of Surrey Canal Road; an industrial estate on Bolina Road; Millwall Football Stadium and surrounding buildings in leisure use; a Waste Transfer Station (SELCHP); Fordham Park and Creekside. The Ward is served by two stations; New Cross and New Cross Gate (underground and overground). There is also a bus garage on New Cross Road.

**18. EVELYN (SE8; SE14; SE16)**

Evelyn is the most northerly Ward in the Borough and the only one that borders the River Thames. Evelyn Street is the main road through this Ward. There is a mixture of housing types from Victorian terraces to new build. L&Q have recently built some new apartments on Evelyn Street. Deptford Railway Station is located in the south east of the Ward where the southern boundary line mostly follows the railway line. Within this Ward

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lie; the Pepys Estate (Aragon Tower, nearest the river, was privately re-developed by Berkeley Homes); The Deptford Wharves; Pepys Park; Deptford Park and Deptford Trading Estate. The Wharves form a major regeneration scheme for the area. The redevelopment intends to provide 905 new mixed tenure homes, 16,400 sq ft of non-residential floorspace and provide 580 – 750 new jobs. It will also provide new public realm providing a better environment for inhabitants. It is currently a relatively deprived area of the Lewisham Borough.