

# **Position Statement Mayoral Community Infrastructure Levy – Examination in Public**

## **North London Strategic Alliance (03) / North London Business**

### **Background**

1. The North London Strategic Alliance is the subregional partnership, which includes boroughs and the private sector in its membership. North London Business is the inward investment agency for the area. This response has been developed by NLSA working with NLB. Our comments have been developed in partnership with the London Boroughs of Enfield, Haringey and Waltham Forest, as well as the private sector.
2. NLSA / NLB cover the Upper Lee Valley, recognised in the London Plan as London's largest Opportunity Area, as well as a major regeneration area.
3. We continue to welcome the development of Crossrail and appreciate its benefits for the whole of London and at the same time recognise that a private sector contribution is necessary to provide the finance for it.
4. However in the Upper Lee there are two issues:
  - land and development values are much lower than the London average and as a consequence any CIL charging will have a disproportionate impact;
  - the financial benefit likely to accrue to those boroughs as a result of the introduction of Crossrail is lower than for those boroughs in the Central, West and East London area. In particular we do not benefit from having a Crossrail station unlike other parts of London who have a similar or lower proposed charging levy.
5. In summary our points are:
  - The level is too high and will impact on the viability of development in areas which are already struggling economically.
  - The level is too high and will result in Upper Lee Valley boroughs not being able to gain meaningful levels of local CIL / Section 106 to deliver much needed social infrastructure.
  - Basing CIL on average, primarily "second-hand" housing gives a false viability assessment for Upper Lee Valley boroughs where there is a major intra-borough variation.

## **Matter 1 – Mayor’s approach**

### **Is the use of residential values a reasonable cross-London proxy for viability?**

1. While the CIL is calculated and set at a borough level the Mayor accepts that there can be a wide cross-section of development values within a Borough boundary. This is significant for the boroughs of Enfield, Haringey and Waltham Forest where Upper Lee areas have lower values than non-Upper Lee areas.
2. In Haringey for example between the east to west of the borough the difference in the value of a 4 bed house could be as much as £300,000. The same is true in Enfield where a 3 bedroom house in the west of the borough is approximately 50% higher (£225,000) than in the east of the borough.
3. In addition the GLA’s methodology uses the average house price, drawn from the Land Registry house price index. This will reflect predominately “*second-hand*” stock transactions rather than new built. However the CIL will be raised only on new built. Again we consider this will have distorting effect in the Upper Lee Valley where the new built homes will be predominantly in the lower value areas.
4. Land values also vary across the boroughs. In Enfield their Infrastructure Delivery Plan (March 2010) demonstrates that there is a £1m per hectare difference in residential land values between the east and west of the Borough. The same is true in Waltham Forest and Haringey where there are major variations in values.
5. However it should be noted that past more “generous” and flexible Homes and Communities Agency grant regimes may have supported higher land values in poorer areas. These levels of grants are now gone. This impacts on the viability of sites as the land values are “historically” high (when land purchases were made just a few years ago) and developers are now struggling to make schemes viable in this new market.

### **Office and Retail markets**

6. The use of residential values is also not a reasonable cross-London proxy for office and retail viability because they do not reflect the huge extent of difference in office rents and retail rents between the lower value areas and high value areas in Greater London.
7. Much of the outer London office stock is already dated and unattractive to occupiers due to the low rental values. In north London over 50% of office space is pre-1970 (rising to 80% in Waltham Forest). There is a vicious circle of poor quality units, leading to low rents, leading to a lack of investment and a lack of renewal of the office stock. It is worth noting that in the GLA’s evidence no office rent figures are provided for any Upper

Lee boroughs. For retail rents figures are only provided for Enfield, which at £110 seem high, compared for example with Islington's £75 (Proposals for a Mayoral Community Infrastructure Levy Draft Charging Schedule June 2011, tables 4 and 5). At their highest, in the relatively small pedestrian area in Enfield Town, retail rents of £125psf can be achieved, however the majority top rents in Enfield Town Zone A are understood to be more like £55 psf down to £35psf in Edmonton.

8. The imposition of the Crossrail Supplementary Business Rate (couple with external factors such as high energy costs), already impact on the ability of landlords to raise rental values, again lowering the overall attractiveness of investing to renew stock. This may have a regressive element, having the strongest percentage impact in areas of lowest value.

### **Industrial Development**

9. There is a general assumption that house prices are a practical way of differentiating by viability for commercial uses. We question this especially for industrial development.
10. The GLA's calculations arrive at CIL / End value of scheme of approximately 2%. Again we would argue that CIL may have a regressive impact as where development values are lowest the impact of CIL as a percentage of the value will be highest, especially when imposing a blanket borough levy.
11. It should be noted that based on the GLA's evidence the three Upper Lee boroughs are a major location of land occupied by Core industrial uses, covering some 577ha (London's Industrial Land Base line, June 2010).

### **Is the evidence relevant, comprehensive and up-to-date?**

12. While we welcome the Mayor's commitment to review the level of CIL it should be noted that with both the Mayor's CIL and Borough CIL there will always be a lag between the level set and variations in the market. Due to the need to consult publicly it may take at least six months to vary the level. As the market varies this could make troughs deeper and peaks higher.
13. If boroughs wish to vary developer contributions to support viability varying the level of social housing may provide an "immediate" term solution. But this will also affect the borough's ability to deliver its housing objectives. Therefore it will have an impact on overall London Plan objectives.

### **Is the charging zone approach reasonable? & Is there a case for additional/different zones?**

14. The charging by zones is reasonable but a new rate of Zero CIL should be set in locations where development is only marginally viable and for certain types of development that are not viable or only marginally viable.

15. Given the wide nature of the charging schedule there is a disjunction between benefits and costs. For example Waltham Forest and Enfield are listed in Zone 3, developers being subject to a charge of £20 psm, with Haringey as Zone 2, £35psm. If we accept the figures for transport and earnings benefits shown in table 2.3 (Proposals for a Mayoral Community Infrastructure Levy Draft Charging Schedule June 2011), Newham (Zone 3) receive £99m worth of benefits, Enfield and Waltham Forest are shown as receiving a benefit of £41m and £49m per annum, less half that of Newham. Haringey is projected at £59m per year, significantly less than many other Zone 2 boroughs, for example Greenwich (£98m), Tower Hamlets (£90m) and Ealing (£89m).
16. Locations outside of London with Crossrail stations of course pay no CIL and we support the Mayor in his efforts to secure funding from these locations.
17. There may be a case to reconsider the zoning approach, as currently with only three zones there are significant different impacts for very similar markets, for example in the Upper Lee Valley, where a development in Edmonton carries £20psm and one in Tottenham £35psm. Haringey's level seems artificially high in this context, as indeed does the Upper Lee Valley as a whole.
18. Ensuring a stronger link with Crossrail, by investment in the northern rail links, would deliver strong benefits for the Upper Lee. This would mean delivering the investment needed in the West Anglia Line to run four trains an hour along the Upper Lee Valley, connecting to Stratford and Liverpool Street. We are also seeking the reinstating the Lee Bridge Station and enhancing the interchange at Hackney Downs / Central.

## **Matter 2 – impact on viability**

### **Has an appropriate balance been struck?**

1. Regulation 14 states that a charging authority must aim to strike what appears to the charging authority to be an appropriate balance between the desirability of the funding and the potential effects of the imposition of the CIL on the economic viability of development across its area. We question if the full impact of the CIL has been considered in low value areas such as the Upper Lee, where in certain locations major physical infrastructure investment is required to bring forward development.

### **Is there any evidence that overall development in Greater London would be put at serious risk?**

2. We have not considered the impact across London. However in low value areas, such as the Upper Lee Valley, we consider it will put development at risk.
3. Given that;
  - a) the majority of the development opportunities in the three boroughs lies in the Upper Lee Valley Opportunity Area Planning Framework (OAPF) area,
  - b) the Upper Lee Valley OAPF area has significantly lower values than the borough median, (which the Mayoral CIL uses as its mechanism to set rates),

the imposition of the blanket-borough Mayoral CIL will have a major impact on viability and heavily restricting the boroughs' ability to raise funds via their own CIL.

4. The London Plan states that the Upper Lee Valley Opportunity Area covers 3,884ha with the capacity for 15,000 new jobs and a minimum of 9,000 new homes. The consultation Opportunity Area Planning Framework sets out how this can be delivered.
5. As with many such Opportunity Areas up front investment will be needed to support development. Major individual sites such as Meridian Water in Enfield (projected to deliver up to 5,000 new homes) will require new access roads and a much improved station. At a strategic level in the Upper Lee Valley based on the levels of proposed population growth, the GLA projects that the number of trips to and from the Upper Lee is forecast to grow by between 20% to 25% by 2031 (Upper Lee Valley Opportunity Area Framework), requiring investment in the transport network. This is a problem if the Crossrail CIL continues post 2019.
6. In the shorter term financing Crossrail via CIL will restrict the ability to deliver much needed enabling infrastructure.

## **How has the location of the reservoir of development land been taken into account?**

7. The GLA does recognise in its evidence base document that much of the strategic reservoir of development capacity exists outside central London, often in large Opportunity Areas. These often carry low values and high infrastructure requirements. We would like to see specific modelling from the GLA to justify the levels of CIL proposed on these forms of developments.
  
8. CIL will only be levied on additional floor space. It will therefore have a bigger impact on “brown field” sites where there is the redevelopment of former industrial sites for housing, rather than the renewal of existing stock. This could have a bigger impact in the Upper Lee, and outer London as a whole, where the Mayor’s and borough policies support the redevelopment of a number of brownfield / industrial sites for housing and higher density employment uses. We would like to see modelling where CIL is levied on 100% of the development, which would be true in these “brown field” housing locations.
  
9. These sites are based in the low value, eastern parts of the boroughs, where there are already issues around viability. The majority of potential housing sites that make up the Strategic Housing Land Availability Assessment are on the limited value eastern part of the Haringey and Enfield. The SHLAA is developed jointly by the GLA and the outcomes of this assessment is reflected both in the boroughs’ plans and the housing targets given boroughs in the London Plan.
  
10. It should also be noted that many boroughs, including those in north London, are seeking to delivery significant estate renewal projects. These have the potential to deliver large scale regeneration. Boroughs are already working hard to de-risk these projects to make them viable and attractive to the market. This includes taking a discount on land values, advanced buyback of leaseholders and decanting current tenants. The imposition of the Crossrail CIL may have an impact on such schemes as they all generally aim to deliver additional floorspace.

## **Matter 3 – Implications for local needs and Borough policies**

### **What evidence is there that the Mayor’s “top slice” CIL would undermine the Boroughs’ ability to implement their policies?**

1. The GLA’s conclusion is (paragraph 4.6.11) *“A more granular approach within a Borough can be adopted when/if that Borough set its own CIL.”*
2. The GLA’s stated approach is (paragraph 4.8.5) *“to set a Mayor’s CIL level that it should be possible to absorb into the general cost structure allowing the Boroughs, with their more local approach, to graft on their CIL if they wish to differentiate at the local level.”*
3. As stated above the boroughs will have little space to vary their CIL due to the low values but disproportional high development potential of the Upper Lee Valley sections of their borough.
4. We would argue that where development values are lowest the impact of CIL as a percentage of the value will be highest, especially when imposing a blanket borough levy. We would ask that GLA review the possible regressive element of this taxation model.
5. Modelling by Haringey indicated that the Mayor’s proposed CIL on a site in Tottenham would more than halve the CIL / section 106 available to the borough. Clearly if the CIL had been in place it would have severely restricted the borough in its ability to secure community benefits.

### **Extant planning permissions**

6. Extant planning permissions should be exempt from CIL as well as amendments to such permissions / emerging developments long in preparation and the subject of submitted, but not formally determined, planning applications should be excluded from CIL charge.
7. As we are aware these matters beyond the Mayor’s discretion. We support the Mayor’s and others efforts to alter the regulations to exclude from payment of CIL applications made under Section 73 of the 1990 Planning Act to change conditions attached to planning permissions.

### **What policies would be put at risk because of the Mayoral CIL?**

9. It is not sensible to examine Mayoral CIL in isolation from wider demands that the Greater London Authority and London Boroughs are placing on development. The most pressing of these is for the provision of new affordable housing in London. In addition to the reductions in HCA grant, private rented accommodation in London will become unaffordable in parts of London due to changes in housing benefit, and the wider “benefit cap”. Therefore the need to subsidise social and intermediate tenures in London

is likely to increase. As stated the CIL will put pressure on the deliverability of affordable housing.

## Matter 4 – Exceptions

### Is the zero rate for health and education justified?

1. We clearly welcome the Mayor's proposed Nil charge for health and education buildings. We also welcome the exemption from the CIL under the 2008 Act and the Regulations:
  - social housing, including shared ownership;
  - development by charities of their own land for their charitable purposes.
2. However the proposed levels of the Mayoral CIL will impact on boroughs' ability to set their own CIL to deliver vital infrastructure, including health and education facilities needed for sustainable, growing communities.

### Is there evidence that specific areas should be zero-rated?

3. The Mayor states "*before agreeing to set a lower or zero rate CIL for the area, I would need to be satisfied that this would be justified in economic viability terms*" and "*this would require evidence of very low (i.e. at the margins of viability, such that any charge would be de minimis), zero or negative viability across that area.*"
4. The Upper Lea Valley is a key priority for London and in the London Plan's designation is the city's largest Opportunity Area. The boroughs of Enfield, Haringey and Waltham Forest are working in partnership with the GLA and others to bring forward the major potential of the Upper Lee and its key development sites.
5. Both the boroughs' Core Strategies and the London Plan show that the area has the potential for significant housing and employment growth which needs to be supported by essential infrastructure.
6. However regeneration of existing communities and the development of new homes and jobs in the area will be very challenging and there are significant infrastructure requirements such as flood mitigation, transport improvements, social and community facilities to be overcome. In addition we are developing with the GLA proposals for a major decentralised energy network in the Upper Lee, which will require significant investment.
7. The boroughs are currently actively progressing the economic analysis supporting the development of their own CIL proposals. They will be seeking to present the detail of this analysis at the Examination in Public. This will provide detail on the impact on viability.