

**LONDON BOROUGH OF TOWER HAMLETS
COMMUNITY INFRASTRUCTURE LEVY SCHEDULE EXAMINATION
HEARING SESSION 2**

**WRITTEN STATEMENT ON BEHALF OF LONDONNEWCASTLE
22 APRIL 2014**

Introduction

1. This Written Statement is submitted by DP9 on behalf of Londonewcastle ('LN') and should be ready in context with the Written Statement prepared for Hearing Session 1 as well as the various representations submitted by LN.
2. As stated within the Written Statement for Hearing Session 1 and previous representations, LN's overriding concern is that insufficient focus has been given to the designated Opportunity Areas and Strategic Sites that are critical to the successful delivery of the Council's Development Plan and there is not suitable justification to the division of residential rates across the Boroughs geographical area.
3. As with the Hearing Session 1 Statement, this Statement does not seek to repeat the substantial representations that have been submitted. What is set out below provides a key point summary as relevant to specific questions posed by the Examiner.

Response to Questions

Question 9

4. The Council has not sought to understand the relationship between CIL setting and the Development Plan as there does not appear to be any analysis of the nature of development underpinning the Development Plan. The Council, therefore, has not appropriately defined the nature of development upon which its approach and analysis should have been based. This is especially concerning given that the Development Plan for Tower Hamlets envisages large-scale substantial development of specifically allocated areas. It is clearly important to understand how these areas underpin and relate to the Development Plan in order to consider the consequences of introducing a CIL Charging Schedule. The absence of this understanding from the Council's evidence basis leads one to be concerned about the appropriateness of the evidence upon which the Charging Schedule has been based.
5. The planning policy context within which the Council's Charging Schedule is proposed is important to mention. The critical need to deliver new housing is well documented. The National Planning Policy Framework (2012) is focused on ensuring a positive approach to planning in order to support development. The London Plan (2011) sets significant housing targets for each Borough, Tower Hamlets having the highest target of all Boroughs. The London Plan designates a number of Opportunity Areas, which are strategic to the delivery of housing over the Plan period. Clearly, ensuring development is not frustrated or overly burdened in the Opportunity Areas is fundamentally important in ensuring the deliverability of the London Plan.

6. There are two Opportunity Areas – City Fringe and Isle of Dogs – located within Tower Hamlets. They cover substantial areas and are anticipated to provide significant development.
7. At the local level, the Tower Hamlets Managing Development Document (2013) and the subsequent area Masterplan documents (in particular the Whitechapel Vision document) provides a number of strategic site allocations and designations to help meet the Boroughs housing targets.
8. Opportunity Areas account for a substantial proportion (approximately 75-80%) of Tower Hamlets' housing target. They are fundamental to the deliverability of the Council's Core Strategy. As stressed in representations, Opportunity Areas have not been considered or addressed by the Council in its CIL evidence base. The BNP Paribas Viability Study makes no mention of them.
9. The BNP Paribas Viability Study is focused on a series of generic development types that do not relate to the strategic nature of development that underpins the Development Plan. Instead the Charging Schedule should be based on a thorough assessment of the strategic sites in the Borough as identified within the Development Plan documents.
10. Opportunity Areas and strategic sites are complicated, multi-phased, and large-scale. They are challenging to deliver and require significant enabling infrastructure. They need to be considered carefully and thoroughly in respect of CIL, since to introduce additional cost burdens will put their delivery at risk.
11. BNP Paribas refer to an IRR of approximately 11% to 13%, which is seen by them as a viable level. It is LN's strong considered opinion that a minimum 20% IRR is the most appropriate evidenced assumption. The BNP Paribas approach is incorrect and using anything less than 20% IRR, particularly larger sites that carry high risk, is inappropriate for viability testing policy/CIL, because it risks not delivering a sufficient return for strategic development sites to come forward.
12. Representations have proposed that the Council needs to prepare a more appropriate evidence base in order to understand whether the introduction of its Charging Schedule would put development at risk. LN has consistently explained that more specific and thorough evidence is needed in respect of the strategic sites. The Council has not undertaken to do so.
13. The evidence associated with the strategic sites is fundamentally flawed. Overall, considering the issues explained fully in representations and summarised above, it is our considered opinion that the Charging Schedule should differentiate between strategic and non-strategic development.

Question 10

14. The approach taken by the Viability Study is not appropriate insofar that it does not accurately reflect the Core Strategy.
15. The relevant part of Policy SP02 states:

“Set an overall strategic target for affordable homes of 50% until 2025.....Requiring 35%-50% affordable homes on sites providing 10 new residential units or more (subject to viability).”

The Core Strategy is clear that the delivery of affordable housing is a key priority. It is clear that there is a significant need for affordable housing and the Council estimate within their Core Strategy that there is currently a shortfall of 2,700 new affordable homes per annum.

16. The key test is whether or not the proposed level of CIL would undermine the delivery of the Core Strategy affordable housing target.
17. The objective of meeting the target of 50% affordable housing from all sources will be prejudiced if the CIL rates, calculated on the flawed strategic appraisals in particular, are accepted.
18. It is reasonable to conclude that the use of the 35% figure by the Council in the viability testing without sufficient testing of higher affordable housing percentages will be seen as a reason not to seek the achievement of the full target and consequently it will put the provision of affordable housing at serious risk. The Council on site specific viability cases consistently seek above 35% affordable housing where it is deemed to be viable. If the Council wishes to reduce the target percentage of affordable housing to be provided then this should be achieved through a review of the adopted policies. The Council should have taken the full extent of Policy SP02 into account when setting the CIL rate and on this basis it can be concluded that the viability evidence, on which the proposed residential charge is based, is not robust.
19. The proposed residential rates would put at risk the overall development of the area because it would not reflect the need to provide a significant number of affordable homes and the Council's decision to set its rates is not based on an appropriate approach to affordable housing provision.
20. LN also raise concern that the proposed Charging Zones are too broad brush and a more detailed assessment is required to identify more Charging Zones at a diverse charging rate.
21. The DCLG Guidance states, at paragraph 27, that *“in most instances where a charging authority is proposing to set differential rates, they will want to undertake more fine-grained sampling, to identify a few data points to use in estimating the boundaries of particular zones, or different categories of intended use. The sampling should reflect a selection of the different types of sites included in the relevant Plan and should be consistent with viability assessment undertaken as part of plan-making”*. The BNPP report fails to undertake a sufficient amount of sampling to allow a robust average charging rate to be set. The proposed rates are significant difference between the charging rates for zones 1 (£200 per sqm) and 2 (£65 per sqm). Further sampling of these zones are required to justify the charging rates proposed and ensure that they do not result in unviable development which could impact deliverability of both market and affordable housing.

Question 11

22. The London Plan identifies Crossrail as the Mayor's 'top strategic transport priority for London' (Policy 6.4).

23. The Mayor is able to secure contributions to the cost of Crossrail through his adopted CIL and Supplementary Planning Guidance ('SPG'). Both are based on adopted Development Plan policy that needs to be attributed considerable weight. It is LN's opinion that both CIL and the Crossrail SPG need to be accounted for as known costs within the various appraisals contained in the BNPP Viability Study. The full costs need to be assumed.