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Your ref

Dear Sir/Madam

London Borough of Tower Hamlets CIL Draft Charging Schedule

On behalf of our client, Lanark Square Ltd., we set out below representations on the London Borough of Tower Hamlets Community Infrastructure Levy Draft Charging Schedule, currently out to consultation until 5 June 2013.

Paragraph 5.1 of the consultation document states that *"the Council intends to charge differential rates of CIL, which are to be determined by the land use of a proposed development (expressed as pounds per square metre) and by the area where a proposed development is situated.."* In the case of residential development, three zones are proposed and the proposed CIL rates per sqm (GIA) of development are £200 for Zone 1, £65 for Zone 2 and £35 for Zone 3. The boundaries of these zones are shown on the Draft Residential Charging Zone Boundaries Map.

We note that the Viability Evidence prepared by BNP Paribas (March 2013) assessed seven areas in terms of existing residential market and the ability to support CIL, for which they identified (i) maximum CIL indicated by appraisals, (ii) maximum CIL net of Mayoral CIL and (iii) suggested CIL after buffer (Table 1.5.1 of the BNP Paribas Viability Assessment). As a result, the Report put forward five levels of CIL, ranging from £35 to £200 as follows: one area at £35 CIL rate (Cubit Town, Victoria Park, Fish Island, Bow and Mile End); one area at £50 CIL rate (South Bromley-by-Bow, Bow Common and Poplar); one area at £65 CIL rate (Bethnal Green, Globe Town, East Bow, Whitechapel, Stepney and South Isle of Dogs); one area at £95 CIL rate (Shadwell, South Whitechapel, Blackwall (non-riverside) and Leamouth); and three areas at £200 CIL rate ((i) Limehouse & West Isle of Dogs, Shoreditch and Blackwall (riverside); (ii) Spitalfields; and (iii) Canary Wharf, Aldgate, Tower of London and St Katharine's Dock and Wapping). However, these seven areas have subsequently been combined into three CIL zones (with the suggested CIL rates of £35, £65 and £200 respectively), which we do not consider adequately reflects the previously identified variation in housing market areas.

In relation to the proposed CIL Zone 1 (which covers Tower Limehouse and West Isle of Dogs, Shoreditch, Spitalfields, Canary Wharf, Blackwall (waterside), Aldgate, Tower of London and St.



Katharine's Docks and Wapping), we consider that the residential market across this area is variable and that either the zone should be subdivided to reflect this, or that areas outside the highest value areas should be redesignated as CIL Zone 2.

In regard to the area around Turnberry Quay/Lanark Square and the area to the south of Pepper Street, which is currently included in the southern part of CIL Zone 1, we consider that this area is markedly different from the area further north in CIL Zone 1, focussed on Canary Wharf, Central London and along the River Thames, in terms of residential market; and is in fact more similar to the area of the south of the Isle of Dogs, i.e. CIL Zone 2.

Strutt and Parker LLP, who have undertaken a viability assessment for the recently approved residential led scheme at 1 and 2 Turnberry Quay and 1 and 5 Lanark Square, and have been involved in negotiating the viability position on this scheme (i.e. a real representative example in E14 9) found that, based upon current S.106 and affordable housing requirements, no additional development tax in the form of CIL is sustainable without forcing residential propositions to become unviable. Indeed, the full amount of affordable housing required has been proven to be unsustainable.

Moreover, in the negotiations on the Turnberry Quay/Lanark Square scheme, BNP Paribas confirmed that the office demand in the Turnberry Quay area is poor and that there is poor anticipated demand for such space. It is considered that the introduction of CIL at £200 per sqm for residential development would merely stifle future residential development and blight the Turnberry Quay area.

The BNP Paribas CIL Viability report does not include an analysis of current land values across the Borough, which should have been carried out in order to assess the potential impact upon land values that the proposed CIL charging schedule might have. The Viability Report assumes that average residential values in the E14 9 area are £700 p.s.f. However, within Strutt and Parker's recent viability negotiations with BNP Paribas, they agreed to private residential values of £625 p.s.f. Therefore, for example, on the Turnberry Quay scheme, the £75 difference in private residential values would lead to a £3.45m value over-statement. The residential CIL charge for the proposed scheme would be around £1.03m. Clearly, the value over-statement justifies an ability to sustain the proposed CIL charge but the correct private residential assumption (i.e. £625 p.s.f.) would not.

The Viability Report does not include full development appraisals, which makes it difficult to fully assess the situation. Moreover, BNP Paribas have not indicated what landowner's premium (if any) they have adopted over CUV to drive their assumed Site Value Benchmarks (i.e. the fundamental epicentre around which proposed development viability is assessed). We therefore consider that further information needs to be provided to justify the proposed CIL values.

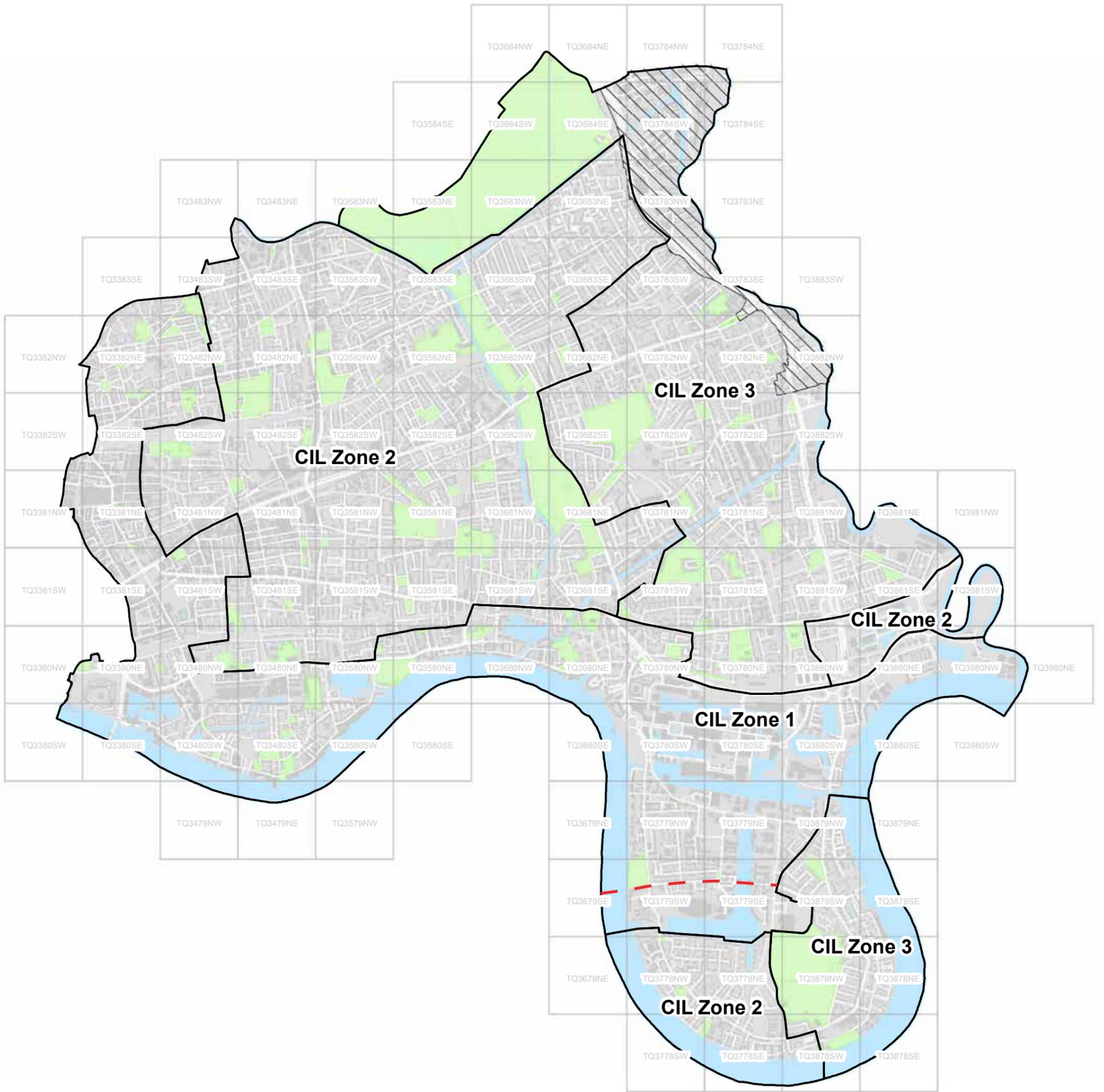


Nathaniel Lichfield
& Partners

Planning. Design. Economics.

Recommendation

We suggest that the area of Zone 1, as detailed in Table 1.5.2 and shown on the Plan of Draft Residential Charging Zone Boundaries, is amended to exclude the area to the south of Pepper Street including Turnberry Quay/Lanark Square and that this area be included within the CIL Zone 2 at the south of the Isle of Dogs. The proposed revised boundary for CIL Zone 1 is shown on the attached plan (drawing no. IL 12911-007).



KEY

Suggested new boundary 

nlp Nathaniel Lichfield & Partners
 Planning, Design, Economics.

Project Turnberry Quay

Title **Suggested new boundary of CIL Zone 1**

Client Lanark Square Ltd

Date June 2013

Scale 1:26000 @ A3

Drawn by AH

Drg. No IL12911-007

