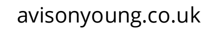
65 Gresham Street
London
EC2V 7NQ



avisonyoung.co.uk

18th March 2021

By email only: cil.consultation@barnet.gov.uk

Dear Sir/ Madam,

Community Infrastructure Levy (CIL) Rate Review Consultation

We write on behalf of our client, St George (West London) Ltd, to submit representations to the London Borough of Barnet (LBB) CIL Rate Review consultation (Publication of Draft Charging Schedule).

This representation relates to land being developed by St George in the Borough (i.e. Beaufort Park and Silk Park) for which a location plan is appended to this representation. However, the representation also relates generally to development in the Borough as the proposed rates are considered to have a significant impact on any future development opportunities that may come forward.

Following a review of the Draft Charging Schedule (DCS) and the supporting documentation, we are concerned that an appropriate balance has not been struck between the need to fund necessary infrastructure and the potential impacts on economic viability of development sites.

This letter and appendices set out our concerns about the proposed CIL DCS in further detail.

Review of Evidence Base

The DCS is underpinned by an evidence base, including a financial viability assessment prepared by BNP Paribas, a draft Infrastructure Development Plan and Draft Infrastructure Funding Statement. A review of this evidence base has been undertaken by Avison Young and comments relating to the evidence base are included within Appendix II of this letter. In summary we consider that the evidence upon which the rates are based include numerous assumptions which overestimate the viability of development and consequently the level of CIL that is viable. Therefore, our position is that there should be no increases to the current rates. Please refer to Appendix II for details.

Implications of Increased Rates

The adoption of the DCS would result in significant increases in CIL liability. The current and proposed rates are included below for reference.

Table 1: Current CIL Rates:

Development	Current Amount
Residential (C1-C4, Sui Generis HMO)	£135
Retail (A1-A5)	£135
All other uses	£0

Table 2: Proposed CIL Rates:

Development	Current Amount
Residential (C2-C4, Sui Generis HMO)	£300
Hotels (C1)	£202
Retail (A1-A5)	£202
Leisure (D2)	£20
Employment (B)	£20
All other uses	£0

The Planning Practice Guidance (PPG) provides specific guidance on "When should the charging schedule be reviewed and revised?" at para. 045 (ID: 25-045-20190901). It is confirmed that charging authorities must keep their charging schedules under review and should ensure that levy charges remain appropriate over time. Furthermore, when reviewing their charging schedule, charging authorities should take account of the impact of revised levy rates on future planned development.

Furthermore, it should be noted that CIL charges are non-negotiable and will be payable at the rate set out within the Charging Schedule.

Planning policy requires that developments provide the maximum reasonable amount of affordable housing. Flexibility is provided by the London Plan to allow viability to be considered in relation to the provision of affordable housing, with Policy H5 providing the threshold to affordable housing and the potential to follow the Viability Tested Route where it is not possible to meet specific affordable housing targets. Similarly, LBB's Development Management Plan Policy DM10 states that affordable housing contributions should have regard to the borough wide target of 40% subject to viability.

As CIL rates are a non-negotiable charge, this charge is factored into consideration of sites' viability. Therefore, in practice, increased CIL rates have an adverse impact on the ability of sites to deliver affordable housing and other Section 106 obligations due to the need to ensure that any proposed development is viable and deliverable.

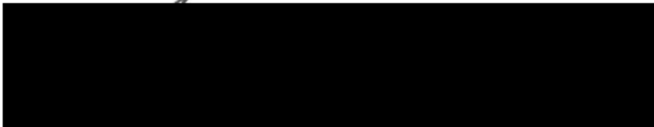
St George has delivered circa 2,500 homes in the Borough to date, including 570 affordable homes. Should CIL rates be increased, there is a significant concern that the delivery of affordable housing is undermined. Furthermore, there is a risk that future development opportunities are threatened by the revised rates which, as set out in Appendix II, have the potential to render sites unviable and undeliverable. This is of particular relevance noting the increased housing target of 2,364 dwellings per annum for the Borough within the 2021 London Plan.

In relation to non-residential uses, as is also set out in Appendix II, we also consider that the proposed rates are unsubstantiated and unviable and would threaten the development of these types of uses, which contribute to balanced communities.

Conclusion

For the reasons set out in the letter, and considering the detailed review within Appendix II, we therefore propose that the rates remain at the current indexed charges.

Yours faithfully,



Rachel Crick
Director

For and on behalf of Avison Young UK Ltd

Appendix I: Location Plans

M1
M1
Existing Hangar (RAF Museum)
A1 A2 A3 A4 A5 A6 A7 A8 A9
B1 B2 B3 B4 B5
C1 C2 C3 C4 C5 C6 C7 C8 C8a C9 C10 C11 C12
D1 D2 D3 D4 D5 D6 D7
E1 E2 E3 E4 E5 E6 E7 E8
F1 F2 F3 F4 F5 F6 F7 F8 F9
G1 G2 G3 G4 G5
BOULEVARD DR
BEAUFORT SQUARE
BEAUFORT GARDEN
CAVERSHAM RD
COMMANDER AVE
EAST DR
AERODROME RD
Aerodrome Rd

rev	description	drawn	checked	date

revisions

status: PLANNING

reason for issue:

This drawing is protected under The Copyright, Designs and Patents Act 1988.
This drawing is produced for PLANNING PURPOSES ONLY and is not to be used for construction.

P T A L

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THE ROLLER MILL MILL LANE
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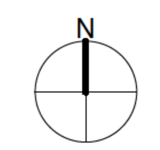

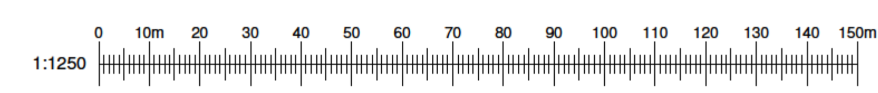

project: Buildings D1-D7
Beaufort Park
Aerodrome Road
London

title: SITE LOCATION PLAN

scale: 1 : 1250

date: 12/16/20

drawn: AG

checked: KM

file name:

project no: originator: zone: level: type: role: dwg number: revision:

190010 - PTA - ZZ - ZZ - DR - A - 01003 P

PTAL project no: 190010

Colindale House (Telephone Exchange)

PH

Sorting Office

Hyde Junior School

HYDE ESTATE ROAD

Silk Stream

Garrick Industrial Centre

Hendon Court House

EDGWARE ROAD

Superstore

Only scale for planning purposes.
All dimensions are in mm unless otherwise stated
All dimensions to be verified on site before proceeding with the work
Any discrepancies to be notified in writing to Architect immediately
All boundaries indicative only and to be confirmed by others

Key:

Application Site Boundary

REV	DATE	NOTES	INT
P01	08.2019	Issued to the London Borough of Barnet for Planning.	DWR

PLANNING

HUTCHINSON & PARTNERS

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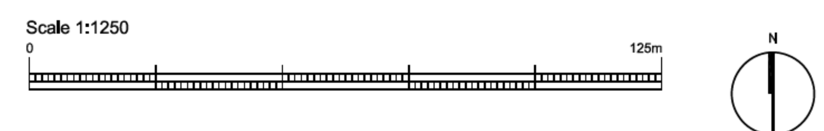
t. 020 3176 8192 e. info@hutchinsonandpartners.com w. www.hutchinsonandpartners.com

JOB TITLE
SILK PARK

DRAWING TITLE / LOCATION
EXISTING SITE WIDE RED LINE LOCATION PLAN

DRAWN BY	CHECKED	SCALE	STATUS
CB	DWR	1:1250 at A1/ 1:2500 at A3	PLANNING

PROJECT	DRAWING NO	REVISION
18025	00 AP 0100 100	P01



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CLIENT
St George Designed for life Sainsbury's

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Appendix II: Detailed Comments on Evidence Base

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BEST MANAGED COMPANIES Platinum member

18 March 2021

Infrastructure Planning Team
7th Floor, 2 Bristol Avenue
Colindale
London
NW9 4EW

Dear Sir/ Madam

CIL Rate Review Consultation (Publication of Draft Charging Schedule)

Please find set out below our comments on the Draft Charging Schedule and supporting evidence. The focus of our representations relates to the 2019 and 2021 viability studies, but we have sought to structure our response around the five key questions included within the Council's online survey.

1. Do you have any comments on the proposed rates set out in the Draft Charging Schedule?

The evidence upon which the rates are based include assumptions which, we believe, overestimate the viability of development and consequently the level of CIL that is viable.

In addition, some of the appraisal assumptions are not supported by evidence making it difficult for us to comment fully on the findings of the assessments.

We make further detailed comments under our response to Question 3.

2. Do you have any comments on the Infrastructure Delivery Plan?

The Draft Infrastructure Delivery Plan clearly states that responses have not been received from all the infrastructure providers and others were unable to provide the full information /details sought. The plan also acknowledges that the document does not contain infrastructure that is required for the recovery from the Covid-19 pandemic.

It would be beneficial if it could be clarified whether a new version of the plan can be issued which addresses these points.

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3. Do you have any comments on the viability studies 2019 and 2021?

We have spent a considerable amount of time reviewing the documents, including the information included in the appendices, in order that we can provide meaningful comments / feedback.

Based on the findings of our review we have identified a number of concerns with both assessments.

Our concerns are focussed on the assumptions used within the assessments rather than the methodology / appraisal approach, to which we are broadly in agreement with.

Development Typologies

Residential Typologies
Whilst both assessments are based on a range of 'site typologies', the assessments appear to be based on a single dwelling typology. For example, Site 15 is based on a large residential scheme (flats and houses) of 250 dwellings (split 200 flats and 50 houses) but the viability of this site is modelled based on a single dwelling type with an average GIA of 84sq.m (904sq.ft).

We have concerns with this approach as it does not reflect the Council's preferred housing mix set out within Adopted Policy DM08 and emerging Policy HOU02 of the Draft Local Plan.

- Policy DM08 of the adopted plan states that development should provide, where appropriate, a mix of dwelling types and sizes to provide choice for a growing and diverse population for all households in the Borough. The policy states that the dwelling size priorities are. i) 3 bed dwellings are the priority for social rented housing ii) 3 . 4 bed dwellings are the highest priority for intermediate housing and 4 bed homes are the highest priority for market housing with 3 bed dwellings being a medium priority,
- Policy HOU02 of the Draft Local Plan (Preferred Approach) states for market (sale and rent) that 3 bed dwellings are the highest priority, with 2 and 4 bed dwellings being medium priority. For affordable the policy states that 2 and 3 bed dwellings are the highest priority for low cost rent, 3 bed dwellings are the highest priority for homes at a London living rent and 2 bed properties are the highest priority for homes at an affordable rent / low cost home ownership.

Therefore, the cumulative impact of these policies alongside the proposed changes to the CIL charges have not been tested. This is important because there are certain cost impacts, such as those for achieving zero carbon, which differ between property types (see later). Therefore, the assessments are not providing a true reflection of viability.

Commercial Typologies
We have no comments or areas of concern regarding the commercial typologies.

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Residential Values

Private / Market Sale
Within the 2021 assessment it is confirmed that the values included within the 2019 assessment have been increased by 0.68%. However, it is not clear what values were applied in the 2019 assessment. At section 4.2 of the 2019 assessment it states:

We have considered comparable evidence of new build schemes in the borough to establish appropriate values for each scheme for testing purposes. This exercise indicates that the developments in the sample will attract average sales values ranging from circa £6,500 per square metre (£604 per square foot) to £11,500 per square metre (£1,068 per square foot). In the other parts of the borough, values tend to sit within a narrow range of £6,500 to £8,000 per square metre.

The comparable evidence to which this statement relates is provided at Appendix 2 of the 2019 assessment. This data shows that the average sales values achieved in 2019 ranged from a low of £4,973psm (£462psf) to a high of £29,365psm (£2,728psf). The average value achieved in 2019 across the sample of evidence listed at Appendix 2 of the 2019 assessment is £8,000psm (£743psf). However, the upper value of £29,365psm (£2,728psf) is clearly an outlier in the data or a mistake and when this is excluded the average sale value achieved during 2019 falls to 7,288psm (677psf).

It is not clear what values have been applied within 2019 assessment but through interrogating the information included at Appendix 5 and Appendix 7 of the 2019 assessment we have been able to conclude that that the 2019 assessment is based on sales values of circa £9,000psm (£836psf) for the flats and circa £11,500psm (£1,068psf) for the housing. Both these values are substantially higher than the average sales value achieved across the sample of evidence upon which the 2019 assessment was based (i.e. £7,288psm / £677psf).

In addition, we have undertaken our own research of sales values during 2019 and our evidence confirms an average sale price of £7,016psm (£652psf) was achieved for flats and £4,725psm (£439psf) for housing.

Within this context, we consider that the base value assumptions applied within the 2019 are overinflated and, as consequence, the assessments have overestimated viability and the potential CIL charges.

We have no concerns regarding a small adjustment to the sales values to reflect price movements between 2019 and 2021. However, we have concerns regarding the base values to which this uplift is being applied (see above).

Affordable Housing (Rented)
The 2019 assessment assumes that RP's would pay on average £2,034psm (£189psf) to acquire completed units. There is no distinction between the price that would be paid for different property types and number of bedrooms. It would be beneficial if evidence of what RP's are paying for affordable properties (rented) could be provided to benchmark whether the assumptions within the 2019 assessment are reasonable.

Older Persons and Student Housing
Neither assessment confirms the value assumptions for student residential and older people's accommodation. Again, it would be beneficial if the information and evidence upon which these assumptions are based could be provided.

Rental Values

The rents and yield assumptions were set out within Table 4.11.1 of the 2019 assessment. We note the following rents were applied in the 2019 assessment.

Commercial Typology	Rent £psm (£psf)
Retail	£504psm (£47psf)
Retail supermarket	£325psm (£30psf)
Office	£366psm (£34psf)
Industrial and warehousing	£170psm (£16psf)
Hotel	£425psm (£39psf)
D1/D2	£250psm (£23psf)

The assessment clearly states at para 4.11 that assumptions are informed by lettings in the area over the past year (presumably 2019). This evidence was included within Appendix 3 of the 2019 assessment. For the purposes of establishing a rent for new build floorspace, we note that the assessment relied upon the upper quartile rents for each type of commercial floorspace.

Office
Within Appendix 3 the table highlights in orange the upper quartile rents that have been used to derive the office rent of £366psm (£34psf), which is the average rent from the highlighted cells. However, the top four properties at 20 Edgwarebury relate to serviced office accommodation in which the rents are inclusive of rates, insurance and utilities etc. Other serviced offices within the evidence include '137 – 139 Brent'. If these properties are removed from the data, the average upper quartile office rent falls to circa £312psm (£29psf). However, when establishing the upper quartile rent it should be based on the median rent and not the average. The median rent from the upper quartile (excluding serviced offices) is circa £296psm (£27.50spf). On this basis the 2019 assessment overestimated the office rents by including serviced offices within the evidence and applying the average rent from the upper quartile rather than median rents.

The 2021 assessment lists further comparable evidence from late 2019 and 2020 at Appendix 1. Based on this data it is stated that the average upper quartile rent is £415psm (£38.57psf). Having reviewed the evidence included in the 2021 assessment we again have concerns that some of the evidence relates to serviced offices, particularly 1379 High Road. We have also discovered marketing material from around 1 year ago relating to this property which shows the asking rents at £242psm (£22.50psf). Taking this into account we estimate the upper quartile rent (based on the median rent) to be circa £355psm (£33psf). However, it should be acknowledged that the sample of evidence in the 2021 assessment is relatively small compared to the 2019 assessment. The 2021 assessment lists 19 properties whereas the 2019 assessment lists 105 properties. It should also be noted that the average rent from the 2021 evidence is circa £248psm (£23.00psf)

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and the median rent is £21.50psf. The average rent from the 2019 evidence is £234psm (£21.70psf) and the median rent is £231psm (£22psf).

On this basis we conclude that the office rents are overestimated, and a more realistic rent would be £296psm (£27.50psf) rather than the £366psm (£34psf) applied in the 2019 assessment. It is unclear what rent has been applied in the 2021 assessment but regardless of this we believe a rent of £296psm (£27.50psf) would also be a robust assumption for the 2021 assessment.

Retail
As outlined earlier the 2019 assessment states at para 4.11 that assumptions are informed by lettings in the area over the past year (presumably 2019). However, the retail evidence included at Appendix 3 includes transactions dating back to 2016. If we strip out all the transactions which didn't occur in 2019 the upper quartile median rent is £447psm (£41.5psf). The average upper quartile rent is £474psm (£44psf). Both are lower than the rent of £504psm (£47psf) applied in the 2019 assessment. In conclusion, it is our belief that the 2019 assessment overestimated the retail rents.

The 2021 assessment lists further comparable evidence from late 2019 to 2020 at Appendix 1. Based on this data it is stated that the upper quartile rent is £503psm (£46.82psf). However, this is the average rent when in fact the upper quartile rent should be based on the median rent which is £452psm (£42psf). It should also be noted that the data in the 2021 assessment includes data for a property with a rental value of £861psm (£80psf). This is significantly higher than any of the other evidence and should be treated as an outlier / mistake and excluded from the sample. If this were excluded the median upper quartile rent would be £431psm (£40psf).

Based on our interpretation of the evidence we believe a retail rent of £447psm (£41.50psf) and £431psm (£40psf) should have been used in the 2019 and 2021 assessments respectively, rather than a rent of £506psm (£47psf) which appears to have been applied in both the 2019 and 2021 assessments.

Supermarkets
The 2019 assessment applied a rental value of £325psm (£30psf) but no evidence was provided to substantiate this rent. It would be useful if evidence can be provided which substantiates this rental value.

The 2021 assessment is silent on the issue of supermarket rents. It is assumed that the rent applied in the 2019 assessment (i.e. £325psm (£30psf)) has also been used in the 2021 update, in which case we refer back to previous comments and request the evidence which substantiates this rental value is provided. It would be beneficial if information relating to how rents have changed between assessments could be provided, as they have done for other sectors.

Industrial
The 2019 assessment applies a rental value of £170psm (£15.79psf). As outlined at para 4.11 of the 2019 assessment the rental assumptions are informed by lettings in the area over the past year (presumably 2019). However, the evidence included at Appendix 3 includes transactions dating back to 2017. If we strip out all the transactions which didn't occur in 2019 the median rent

is £170psm (£15.70psf) so it would appear that the assessment did strip out the evidence which predated 2019. However, the 2021 assessment states at 3.1.1. that the upper quartile rent as at January 2021 (note the headings in the table are incorrect – the figures under the column heading upper quartile rents Dec 2019 are in fact upper quartile rents for 2021 and vice versa) is £226psm (£20.97psf.). However, having reviewed the evidence included at Appendix 1 of the 2021 assessment the average rent is £148psm (£13.77psf) and the median rent is £169psm (15.70psf). Therefore we consider that there is no evidence to support a rent of £226psm (£20.97psf).

It is unclear what rents have been applied in the 2021 assessment but based on our analysis we would support rents at 169psm (£15.70psf) but not £226psm (£20.97psf) for which there is no evidence.

Hotel
The 2019 assessment applied a rental value of £425psm (£39.48psf) but no evidence was provided to substantiate this rent. It would be beneficial if this could be provided to enable a more through assessment to be made.

The 2021 assessment is silent on the issue of hotel rents. Therefore, it is assumed that the rent applied in the 2019 assessment (i.e. 425psm (£39.49psf)) has also been used in the 2021 update. It would be useful if this information could be provided to confirm that these rental values are substantiated.

D1/D2 Uses
No evidence has been provided to substantiate the rental value of £250psm (£23psf) applied in the 2019 assessment. It would be useful if this could be provided.

The 2021 assessment is silent on the issue of D1/D2 rents. Therefore, it is assumed that the rent applied in the 2019 assessment (i.e. £250psm (£23psf)) has been used in the 2021 update, in which case the evidence which backs up this assumption is unclear.

Yields

We note that the following yields were applied in the 2019 and 2020 assessments.

Commercial Typology	Yield (%) 2019	Yield (%) 2020
Retail	6.25%	7.5%
Retail supermarket	4.50%	4.25%
Office	6.50%	6.75%
Industrial and warehousing	5.00%	4.75%
Hotel	5.50%	5.50%
D1/D2	7.00%	7.00%

There appears to be no evidence provided to substantiate the yield assumptions that were applied in the 2019 assessment.

The 2021 assessment has relied on the Knight Frank's yield guide, which shows yield movements over the period Dec 2019 to 2020. The 2021 assessment simply applies these shifts to the yields adopted in the 2019 assessment. However, as the yields in the 2019 assessment are unsubstantiated further evidence is required to confirm the 2019 base yields before the shift in yields (informed by Knight Frank's yield guide) can then be applied to derive the yields for the 2021 assessment.

Base Build Costs

The Build Costs used within the 2019 and 2021 viability assessments are based on the mean / average costs from BCIS, which have then been adjusted to reflect local sensitivities in Barnet. We support this approach. However, it would be useful if the costs applied to the older persons housing can be clarified. Both reports are silent on these costs.

Within the 2021 assessment, at para 4.3, it is stated that allowances for external works and sustainability uplifts as noted in Paragraphs 4.12 (for clarity, the actual para reference is 4.13), 4.14 and 4.15 of the December 2019 report have also been applied.

External Works.

The allowances for external works are referenced at Section 4.13 of the 2019 assessment and highlighted in Table 4.12.1. We note that allowances were included at 15% of the base build costs for residential and 10% for all commercial uses. We support these assumptions.

Energy Requirements / Zero Carbon Standards

Residential
At para 4.13 of the 2019 assessment it confirmed that 6% had been added to the base build costs to meet the energy requirements embedded into Part L of the Building Regulations. At section 4.14 of the 2019 assessment is further stated that an additional allowance of 1.4% had also been added to the base build costs to reflect uplifts associated with achieving zero carbon standards.

Cumulatively, both allowances added between £10,450 and £15,500 per dwelling, with an average cost across all typologies of circa £11,000 per dwelling.

Low carbon requirements in Policy DM02 of the adopted Local Plan and the more recent draft New London Plan policy SI2 (C) set out the requirements for developments to achieve a 35% reduction on carbon emissions beyond Building Regulations requirements.

Policy CDH02 of the Draft Local Plan states that all major developments should be net zero carbon in accordance with the Mayors Energy Hierarchy, supported by a masterplan to identify the most effective energy supply options. Policy ECC01 of the Draft Local Plan also states that developments should promote the highest environmental standards for and through guidance provided in SPD's on Sustainable Design and Construction and Green Infrastructure – deliver exemplary levels of sustainability throughout Barnet to mitigate the effects of a changing climate.

We, therefore, support the inclusion of cost allowances for achieving zero carbon standards within the assessment. However, we believe both assessments have significantly underestimated the costs.

The Code for Sustainable Homes Level 6 is recognised as being the equivalent of Zero Carbon. The Housing Standards Review – Cost Impacts report prepared by EC Harris (which is used as a reference source in both assessments for costs associated with accessibility standards – see later) states that the cost for achieving Code for Sustainable Homes Level 6 ranges between £10,103 and £15,247 per flat and between £21,566 and £31,435 per house. These costs vary across property types as summarised below.

	1 bed flat	**2 bed flat**	**2 bed terrace**	**3bed semi**	**4 bed detached**
Costs	£10,103	£15,247	£21,566	£25,939	£31,435

Source: Housing Standards Review – Cost Impacts report prepared by EC Harris

As outlined previously the assessments include costs between £10,450 and £15,500 per dwelling, with an average cost across all typologies of circa £11,000 per dwelling. The assessments have, therefore, significantly underestimated the costs of achieving zero carbon standards.

This is further compounded as both assessments have not considered the cumulative impact of the Council's preferred housing mix set out within Adopted Policy DM08 and emerging Policy HOU02 of the Draft Local Plan.

- Policy DM08 of the adopted plan states that development should provide, where appropriate, a mix of dwelling types and sizes in order to provide choice for a growing and diverse population for all households in the Borough. The policy states that the dwelling size priorities are. i) 3 bed dwellings are the priority for social rented housing ii) 3 . 4 bed dwellings are the highest priority for intermediate housing and 4 bed homes are the highest priority for market housing with 3 bed dwellings being a medium priority,
- Policy HOU02 of the Draft Local Plan (Preferred Approach) states for market (sale and rent) that 3 bed dwellings are the highest priority, with 2 and 4 bed dwellings being medium priority. For affordable the policy states that 2 and 3 bed dwellings are the highest priority for low cost rent, 3 bed dwellings are the highest priority for homes at a London living rent and 2 bed properties are the highest priority for homes at an affordable rent / low cost home ownership.

As a result, the assessments do not acknowledge / reflect the fact that the zero carbon standards and associated costs will be significantly higher due to the Council's existing and emerging policy on housing mix.

Commercial Buildings

For commercial developments, the assessment has increased base build costs by 2% to allow for the extra-over costs of achieving BREEAM 'excellent' standards. We agree/support this assumption.

Accessibility Standards

Accessibility standards set out in Policy DM02 of the adopted Local Plan and the more recent Policy D5 of the draft New London Plan require at least 10% of dwellings to meet Building Regulations Part M(3) 'wheelchair accessible dwellings' and all other dwellings to meet Part M4(2) requirements).

Policy CDH02 of the Draft Local Plan also requires all residential development to meet Building Regulation M4 (2) accessible and adaptable dwellings. In addition, it requires all major residential developments to provide 10% of new units as wheelchair user dwellings in order to meet Building Regulation M4 (3)

Within the 2019 Assessment reference is made to the inclusion of allowances for accessibility standards. The 2019 assessments states at section 4.16 that all units are constructed to meet wheelchair accessibility standards (Category 2) at an average cost of £521 per house and £924 per unit for flats. In addition, the assessment assumed that the Category 3 standard applies to 5% of dwellings at a cost of £22,694 per house and £7,908 per flat. These costs are taken from the Housing Standards Review – Cost Impacts report prepared by EC Harris and are broadly reasonable. However, both assessments have only tested the Impact of 5% of the dwellings being delivered to Category 3 when the adopted and draft Local Plan require 10% of dwellings to be delivered to Category 3.

Furthermore, the assessment also excludes the access related space costs. The same report by EC Harris estimates that these costs are £289 per flat and circa £1,925 per house for Category 2 and for Category 3 the additional space related costs range between £2,310 and £4,043 for 1 and 2 bed flats respectively and circa £6,640 per house.

As a result, we consider that both assessments have significantly underestimated the costs of accessibility standards.

Professional Fees

Both assessments are based on professional fees of 10%, which is claimed to be at the middle to higher end of the range for most schemes.

However, figures for fees relating to design, planning and other professional fees can range from 8 -10% for straightforward sites up to 20% for the most complex sites. To give an example, the residential site typologies used in the assessments range from a single dwelling house to a 24 storey tower comprising 750 flats. There are several other 'flatted' typologies which range between 10 and 18 storeys in height. It would be unreasonable to assume that professional fees relating to the construction of a single dwelling would be the same as a 24 storey tower. We

consider that the professional fees should be adjusted to reflect, more closely, the typology being appraised.

Section 106 Costs

To account for residual Section 106 requirements, the assessments include an allowance of up to £20psm for non-residential development and up to £1,500 per unit for residential development. The assessment accepts that actual amounts will be subject to site-specific negotiations when schemes are brought forward through the development management process. It would be beneficial if evidence on the S106 contributions received since the adoption of CIL can be provided, to gauge whether the costs within the assessment are reasonable.

Abnormal / Costs Exceptional Costs

Both assessments have made no allowance for exceptional /abnormal costs, due to it not being possible to provide a reliable estimate of what exceptional costs might be and the possibility of generating misleading results. However, by not including such costs (recognising that most schemes are likely to come forward on previously developed land), also generates misleading results and , we consider, overestimates viability.

Within the 2019 assessment it was claimed that average level of abnormal ground conditions and some other ‘abnormal’ costs were already reflected in BCIS data, as such costs are frequently encountered on sites that form the basis of the BCIS data sample. Whilst the cost data submitted to the BCIS sample does include substructures and superstructures it does not include site preparation and abnormal costs which are generally accepted as items that fall outside the costs from BCIS.

Marketing Costs

The assessments include an allowance of 3% for marketing costs plus 0.25% for sales legal fees.
We support these assumptions

Mayoral CIL

The assessments have applied the Mayoral CIL at £60 per square metre. The MCIL2 Charging Schedule rate including Indexation for the Calendar Year 2021 is £60.55psm. Whilst the assessments can’t factor in future indexed charges they should be based on current costs, meaning the 2021 assessment should include the index CIL charge of £60.55psm.

Benchmark Land Value

The 2019 assessment adopted benchmark land values, based on secondary office and industrial capital values, which it is stated reflect the sites likely to come forward for development. Both benchmarks are based on a site extending to 1ha (2.4711 acres).

Benchmark 1. Based on secondary office floorspace.
The assessment established a capital value of £10.25m based on the following assumptions.

- 40% site coverage
- 2 storeys
- Rent based on £145psm (13.50psf) based on the bottom 20% of lettings over the period November 2016 and November 2019.
- Yield 7.0%
- 1 years rent free
- £753psm (£70psf) light refurbishment cost plus fees at 7% of costs
- Purchasers Costs deducted at 6.8%
- 20% premium

Benchmark 2. Based on secondary industrial floorspace
The assessment established a capital value of £4.55m based on the following assumptions.

- 40% site coverage
- 1 storey
- Rent based on £75psm (£7.00psf) reflecting the lower end of the range of lettings of industrial space between November 2016 and November 2019.
- Yield 7.0%
- 1 year rent free
- Purchasers costs deducted at 6.8%
- 20% premium

Benchmark 3. Based on undeveloped land, including infill sites and amenity land and publicly owned land.
From a review of the reports it is noted that the benchmark land value appears to be based on £1m per hectare.

In establishing benchmark land values Para 016 of PPG states …. *market evidence can include benchmark land values from other viability assessments*.

In this regard we have referred to the Brent Local Plan Viability Study. This is directly relevant because it is the neighboring authority to Barnet, was undertaken taken at a similar time (i.e. October 2019) and was also undertaken by the Council's advisers (i.e BNP Paribas Real Estate), who adopted the exact same methodology for establishing the benchmark land values. However, within this assessment different assumptions were used which lead to significantly different benchmark land values.

Within the Brent assessment the following assumptions were used to generate a capital value for the secondary office benchmark.

- 50% site coverage. In Barnet the assumption was 40%.
- Three storey building, In Barnet the assumption was two storey.
- Rent £193psm (£18psf). in Barnet it was £145psm (£13.50psf).

- Investment yield of 6.5%. In Barnet it was 7%.
- 2 year void and rent free period. In Barnet it was 1 year.
- Purchasers costs deducted at 6.8%. The same for Barnet.
- £645psm(£60psf) for basic refurbishment. In Barnet it was £753psm (£70psf).
- Contingency at 5%. Not stated in the Barnet assessment
- Fees on refurbishment cost at 10%. Fees were included at 7% in Barnet.
- Letting agents and legal fees including at 15% of first years rent. Not stated in the Barnet assessment.
- Sales agent fees based on 1% of capital value. Not stated in the Barnet assessment
- Sales legal fee based on 0.5% of capital value. Not stated in the Barnet assessment
- Finance at 6%. Not stated in the Barnet assessment.
- Premium of 20%. The same in the Barnet assessment.

Based on these assumptions the Council's adviser using the exact same methodology identified a £20m benchmark land value for secondary offices in the neighbouring Borough of Brent. In Barnet the Council's advisers established a benchmark of £10.25m. Within their 2021 assessment the Council's advisers lowered the benchmark in Barnet to £9.6m. This is a £10.4m difference.

For the secondary industrial benchmark the following assumptions were used in the Brent assessment.

- 40% site coverage. Same in the Barnet assessment.
- Single storey building. Same in the Barnet assessment.
- Rent of £108psm (£10psf). In Barnet the rent was £75psm (£7.00psf).
- Investment yield of 6%. In the Barnet assessment is was 7%.
- 6 month void and rent free period. In the Barnet assessment it was 1 year.
- Purchasers costs deducted at 6.8%. The same in the Barnet assessment.
- £30psf basic refurbishment. Costs were not stated in the Barnet assessment.
- Contingency at 5%. Not stated in the Barnet assessment.
- Fees on refurbishment cost at 10%. Not stated in the Barnet assessment .
- Letting agents and legal fees at 15% of first years rent. Not stated in Barnet assessment.
- Sales legal fee based on 0.5% of capital value. Not Stated in the Barnet assessment.
- Sales legal fee based on 0.5% of capital value. Not Stated in the Barnet assessment.
- Finance at 6%. Not stated in the Barnet assessment.
- Premium of 20%. Same in the Barnet assessment.

Based on these assumptions the benchmark value for secondary industrial in the neighbouring Borough of Brent is £4.36m. The Barnet assessment in 2019 had a similar benchmark at £4.55m but this was increased in the 2021 assessment to £4.73m.

For the third benchmark, based on publicly owned land, the Brent assessment adopted a benchmark value of £2m per hectare. The 2019 and 2021 assessments in Barnet adopted a benchmark of £1m per hectare.

As a result of the above discrepancies, our review has revealed concerns regarding the benchmark assumptions applied.

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Developer Profit

Residential
Both assessments are based on a profit of 18% GDV for the market /private dwellings and a return of 6% GDV for the affordable housing.

Para 018 (ID:10-018-20190509) of PPG states that for the purpose of plan making, an assumption of 15 to 20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies [and CIL charges]. It goes on to state that plan makers may choose to apply alternative figures where there is evidence to support this according to the type, scale and risk profile of planned development. It further states that a lower figure may be more appropriate in consideration of delivery of affordable housing in circumstances where this guarantees an end sale at a known value and reduces risk.

Within this context, please refer to our earlier comments regarding the typologies that have been appraised, which range from a single dwelling house to a 24 storey tower comprising 750 flats. There are several other 'flatted' typologies which range between 10 and 18 storeys in height. In this context it seems inappropriate that the same profit would be applied to a 1 bed house and a 24 storey apartment scheme. Recognising that the profit should also reflect the type, scale, and risk profile of development it seems reasonable to assume that the multi storey flatted apartment typologies would command a higher profit (between 20 and 25% GDV) than some of the more traditional housing typologies.

Furthermore, PPG is very clear that whilst a lower profit may be more appropriate this is only in situations / circumstances where this guarantees an end sale at a known value and thereby reduces risk. This concession is more appropriate for viability in decision making rather than plan viability where invariably there can't be any agreed sale of the affordable units at an agreed price as the assessment is based on hypothetical schemes. Profit should, therefore, be based on the gross development value (across all tenures) as recommended by PPG.

Commercial
Both assessments are silent on the profit margins for commercial development. It would be useful if the profit margins applied to the commercial assessment can be confirmed.

CIL Rates

Residential
We note that the Draft Charging schedule proposes to increase the charge from £135psm (£202psm after indexation) to £300psm.

As outlined through our previous comments we have concerns / reservations in relation to a number of the main appraisal inputs which individually and cumulatively mean that neither the 2019 nor the 2021 assessment is providing a true reflection of viability. This raises doubts and concerns over whether the proposed charge of £300psm is in fact viable.

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Notwithstanding these concerns, it is unclear how the findings from the assessments have informed the CIL rates. At section 6.6 of the 2019 assessment it states.

We have focussed on the results of testing where we have included between 25% and 30% affordable housing, as the Council will need to secure adequate amounts of funding to support new development. Affordable housing cannot be maximised to the total exclusion of securing infrastructure funding and vice versa.

We consider that the CIL rates should be set cognisant of existing and emerging local plan policies. The existing adopted local plan requires 40% affordable housing whilst the draft Local Plan has a lower threshold of 35% affordable. If the rates are set assuming 25% or 30% affordable housing, then they do not reflect existing and emerging policy and as a result our view is that the proposed CIL rates are too high.

At para 6.5 of the 2019 assessment it further states

The Council's latest Annual Monitoring Report for the financial year 2016/17 indicates that there were 459 net new affordable housing completions, which amounts to 28% of all net dwellings that were completed. Over the four years 2013/2014 to 2017/18 23% of units completed were affordable.

This is against a policy backdrop that required 40% affordable housing. At face value this implies that the affordable housing target of 40% was unviable. In this context there seems to be clear and direct evidence that viability is an issue with the Borough and given that CIL is non-negotiable the viability constraints have been reflected in lower levels of affordable housing. Given the importance of affordable housing this suggests that the existing CIL charge (i.e. £202psm) is too high in association with other development costs and should be lowered (rather than increased) to ensure the Council's affordable housing requirements are not undermined further.

Employment
The draft Charging schedule introduces a new tariff of £20psm for employment uses (former B use classes). At para 7.3 of the 2021 assessment it is stated that the office appraisals show less capacity to absorb CIL contributions than was previously the case (presumably the 2019 assessment) , while the industrial and warehousing appraisals show improved capacity. The 2021 assessment concludes that the proposed nominal rate of £20psm should be retained on both uses. However, the 2021 assessment does not share or provide the results from the updated appraisal outputs. It would be beneficial if these could be provided.

Based on the findings included at Section 6 (Table 6.7.16) of the 2019 assessment CIL was only viable when considered against Benchmark 3 (i.e. undeveloped land, including infill sites, amenity land and publicly owned land) with a value of £1m per hectare. As outlined earlier it is unclear why a benchmark land value of £1m per hectare has been adopted when the Council's advisers adopted a benchmark land value of £2m per hectare in the neighbouring borough of Brent. In the event the higher benchmark is applied the potential for CIL is extinguished.

Notwithstanding our concerns over the benchmark we also have concerns about other appraisal inputs such as yields, which have not been substantiated. In summary we don't consider the

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evidence, as currently presented, substantiates a CIL charge of £20psm and would recommend that the rate remains at zero.

Leisure
The draft Charging schedule introduces a new tariff of £20psm for leisure uses. However, the 2021 assessment within its conclusions (section 7) is silent on leisure uses. Further to this the assessment does not share or provide the results from the updated appraisal outputs. In this respect there is nothing to substantiate a CIL charge of £20psm on leisure uses. This is supported by the findings within the 2019 assessment. As demonstrated by the results included at Section 6 (Table 6.7.16) of the 2019 assessment there is no scenario in which a CIL charge is shown to be viable.

In summary we do not consider the evidence, as currently presented, substantiates a CIL charge of £20psm and would recommend that the rate remains at zero.

Retail
We note that the Draft Charging schedule maintains the charge at £135psm (£202psm after indexation). We support there being no increase in the retail charge.

Hotel
We note that the Draft Charging schedule maintains the charge at £135psm (£202psm after indexation). We support there being no increase in the hotel charge.

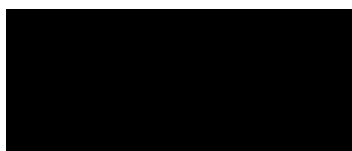
4. Do you have any comments on the infrastructure funding statement?

We have no comments on the infrastructure funding statement.

5. Do you have any other comments?

We have no further comments at this stage but would request that we reserve the right to be heard by the Examiner should our concerns not be adequately addressed.

Yours faithfully



Dale Robinson
Director

For and on behalf of Avison Young (UK) Limited