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London Legacy Development Corporation Community Infrastructure Levy Update Viability Study

Prepared for

London Legacy Development Corporation

Report Date

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1 Executive Summary

1.1 The London Legacy Development Corporation ('LLDC') adopted its CIL Charging Schedule in April 2015. Currently the LLDC does not charge a Community Infrastructure Levy ('CIL') on any uses other than those specified in the charging schedule. The CIL rates are consequently embedded into both the planning requirements and the land market. No rate is however currently charged on offices within the Stratford area, which has matured significantly over the last five years (since the LLDC's viability testing for the adopted schedule was undertaken in 2013/14). There is also no charge levied on the new housing format of Shared Living / Co-Living, which is a Sui Generis use. On this basis this report reviews the Office CIL rates in the LLDC's adopted Charging Schedule and considers an appropriate rate for Shared Living / Co-Living uses.

1.2 In light of the above position the LLDC has commissioned BNP Paribas Real Estate to undertake a review/assessment of the viability of such uses in their area to establish whether they could contribute towards much needed infrastructure, which will be required to support them, by means of a CIL charge. Levels of CIL have been tested in combination with the cumulative impact of the requirements of the emerging LLDC's Revised Local Plan ('RLP') and other pertinent local and regional policies and guidance as well as national policies. This is in line with the requirements of the National Planning Policy Framework 2018 ("NPPF") and the Local Housing Delivery Group guidance 'Viability Testing Emerging Local Plans: Advice for planning practitioners' (June 2012). The report builds upon the Local Plan Viability testing undertaken on behalf of the LLDC by BNP Paribas Real Estate dated August 2018.

Methodology

1.3 The study methodology compares the residual land values of office and Shared Living / Co-Living development typologies on sites within Stratford and throughout the LLDC's area respectively to their value in current use (plus a premium), herein after referred to as 'benchmark land value'. If a development incorporating the LLDC's policy requirements including a given level of CIL generates a higher residual land value than the benchmark land value, then it can be judged that the site is viable and deliverable. Following the adoption of policies, developers will need to reflect adopted levels of CIL and policy requirements in their bids for sites, in line with requirements set out in the RICS Guidance on 'Financial Viability in Planning' and the updated National Planning Practice Guidance ('NPPG') on Viability (July 2018).

1.4 The study utilises the residual land value method of calculating the value of each development. This method is used by developers when determining how much to bid for land and involves calculating the value of the completed scheme and deducting development costs (construction, fees, finance, sustainability requirements, Section 106 contributions, CIL[1] and developer's profit). The residual amount is the sum left after these costs have been deducted from the value of the development, and guides a developer in determining an appropriate offer price for the site.

1.5 The housing and commercial property markets are inherently cyclical and the LLDC is testing the viability of potential development sites at a time when the market has experienced a period of sustained growth. Forecasts for future house price growth point to continuing growth in mainstream London housing markets, although there is a degree of uncertainty following the referendum on the UK's membership of the European Union. We have allowed for this medium term growth over the plan period by running a sensitivity analysis which applies growth to sales values and inflation on costs to provide an indication of the extent of improvement to viability that might result. This analysis is indicative only, but is intended to assist the LLDC in understanding the ability of developments to absorb its requirements both in today's terms but also in the future.

1.6 The viability analysis in this study provides a high level understanding of the viability of potential development sites in the context of the cumulative impact of the LLDC's emerging planning policies. It should be noted that some sites may require more detailed site and scheme specific viability analysis when they come forward through the development management process due to specific site

[1] Mayoral CIL 2 and LLDC CIL as appropriate.

circumstances that cannot be reflected in an area wide assessment[2].

Key findings

1.7 The results of this study are reflective of current market conditions, which will inevitably change over the medium term. It is therefore important that the LLDC keeps the viability situation under review so that policy requirements can be adjusted should conditions change markedly.

1.8 Some schemes tested were unviable due to market factors, rather than the impact of the LLDC's policy requirements. These schemes will not come forward until changes in site specific market conditions and their current unviable status should not be taken as an indication that the LLDC's requirements cannot be accommodated on other schemes.

1.9 The key findings of the study are as follows:

Office

1.10 The majority of the office development is to be located within Stratford, which is envisaged as becoming a Metropolitan Centre with potential for an international role. This ambition is already progressing well with agents considering that demand for commercial space in this location is likely to continue to grow given the area's excellent transport links. We understand that the office market has matured with space already competing with areas such as Canary Wharf where tenants have been secured who were either previously in or looking to rent space in Canary Wharf. There is a considerable amount of consented commercial floorspace that has been built out and we understand that there remains a fair amount more in the pipeline still to be delivered. Our research into Offices in the LLDC's area has identified that rents for space in the Stratford area have risen significantly since the last charging schedule's viability study was undertaken and yields have sharpened improving the viability of such schemed substantially.

1.11 The results of our appraisals for offices in the Stratford area indicate that developments of such uses would be able to absorb a CIL rate and we recommend the LLDC considers adopting a charge of £123.17 per square metre for such development in the Stratford Area (see **Appendix 1** and **4**). This would amount to circa 2% of development costs.

Co-Living/Shared Living

1.12 Co-living/Shared living is a new format of purpose built residential accommodation being delivered in London for which a scheme has already come forward in the LLDC's area. Such development is defined within the LLDC's emerging RLP as *"non-self-contained residential development (demonstrably not C3) which does not meet minimum housing standards; delivered under single management; with tenancies of at least three months; containing on-site, or linked off-site shared communal facilities encouraging shared interaction, above that required for washing and cooking; and which fall outside the scope of policies governing Houses of Multiple Occupation. Large-scale shared living is defined by the new London Plan as schemes containing 50 or more non-self-contained units".*

1.13 Given the above such uses are classified as Sui Generis and the LLDC is unable to seek contributions towards CIL, however such uses will understandably require infrastructure to support them, particularly in light of the dense nature of such accommodation.

[2] The Local Housing Delivery Group Guidance 'Viability Testing Local Plans: Advice for Planning Practitioners' notes that "*the role of the test is not to provide a precise answer as to the viability of every development likely to take place during the plan…*
[3] *continued... period. No assessment could realistically provide this level of detail. Some site-specific tests are still likely to be required at the development management stage*". We further note that the NPPG on Viability identifies that *"Assessing the viability of plans does not require individual testing of every site or assurance that individual sites are viable. Plan makers can use site typologies to determine viability at the plan making stage. Assessment of samples of sites may be helpful to support evidence. In some circumstances more detailed assessment may be necessary for particular areas or key sites on which the delivery of the plan relies."* Given this position the NPPG acknowledges that there are likely to be particular circumstances which justify the need for a viability assessment at the application stage and provides an illustrative list of such circumstances. The onus is on the Applicant to provide the justification for this.

1.14 The results of our testing of such schemes including allowances for the contribution towards affordable housing, as required by the LLDC's merging policy on such uses, identifies that such schemes should be able to absorb a CIL rate. We recommend that the LLDC considers adopting a CIL charge in line with that charged on C3 residential development of £73.90 per square metre (see **Appendix 2**). This amounts to 1.1% of development costs.

1.15 In considering the outputs of the appraisals, it is important to recognise that some developments will be unviable *regardless* of the LLDC's requirements. In these cases, the value of the existing building or the base costs (excluding policy requirements) will be higher than a redevelopment opportunity over the medium term. However, this situation should not be taken as an indication of the viability (or otherwise) of the LLDC's policies and requirements. In these situations, there will be little pressure from owners to redevelop for residential use and they might re-consider the situation when values change over time.

All other uses

1.16 Currently the LLDC does not charge CIL on any uses other than those specified in the charging schedule. The LLDC has identified that there are a significant number and quantum of developments coming forward in its area in future which will require infrastructure to support them for which they are unable to secure any financial contributions towards through CIL or S106. In particular large entertainment uses etc. Such uses are difficult to viability test with certainty as every scheme and use will be different. To this end, should the LLDC wish to do so, they would be able to set a nominal rate of CIL on all other uses of say £20 per square metre. A nominal rate is unlikely to be a significant factor in developers' decision making, typically accounting for no more than say 1% of development costs, and therefore could be absorbed without having a significant impact on viability across the area. This would however provide much needed funding towards necessary supporting infrastructure. As already identified in its current charging schedule, we recommend that the LLDC excludes uses such as healthcare and education from this category. The LLDC might also wish to consider whether it should extend the exclusions from all other uses rate to Affordable Workspace as well.

1.17 Should the LLDC not wish to proceed with a nominal rate on all other uses, a nil rate would apply by default unless a rate has been explicitly set.

1.18 Table 1.18.1 below summarises the potential revisions to the CIL Charging Schedule in light of the results of the updated viability evidence. The table also sets out the adopted Charging Schedule rates and the corresponding 2018 indexed figures (calculated as per the requirements of CIL Regulation 40 (as amended)).

Table 7.18.1: Adopted CIL Charges (including indexation) and Suggested rates for LLDC's Updated CIL Charging Schedule

Use	Adopted Charging Rate *(2018 Indexed Rate)* (£ per square metre)	Suggested Updated Rate (£ per square metre)
Residential	£60 *(£73.90)*	£73.90
Shared-Living / Co-Living	Nil	£73.90
Student Accommodation	£100 *(£123.17)*	£123.17
Convenience supermarkets and superstores and retail warehouses (over 1000 sq m)	£100 *(£123.17)*	£123.17
Offices in 'Stratford Office Area'	Nil	£123.17
Hotels	£100 *(£123.17)*	£123.17
Comparison and all other retail (A1-A5) in 'Stratford Retail Area'	£100 *(£123.17)*	£123.17

Use	Adopted Charging Rate *(2018 Indexed Rate)* (£ per square metre)	Suggested Updated Rate (£ per square metre)
Comparison and all other retail (A1-A5) outside 'Stratford Retail Area'	Nil	Remove category as included within all other uses
All other uses except education and healthcare and Affordable Workspace	Nil	£20
Education, Healthcare and Affordable Workspace	Nil	Consider removing category as already omitted from "all other uses category"

2 Introduction

2.1 The LLDC has commissioned this update study to contribute towards a review of its adopted CIL Charging Schedule, which has been in place since April 2015. Currently the LLDC does not charge a CIL on any uses other than those specified in its Charging Schedule. The CIL rates are consequently embedded into both the planning requirements and the land market. No rate is however currently charged on offices within the Stratford area, which has matured significantly over the last five years (since the LLDC's viability testing for the adopted schedule was undertaken in 2013/14). There is also no charge levied on the new housing format of Shared Living / Co-Living, which is a Sui Generis use. The aim of this study is therefore to review the Office CIL rates in the LLDC's adopted Charging Schedule and consider an appropriate rate for Shared Living / Co-Living uses to establish whether such uses could contribute towards the much needed infrastructure to support them. In line with the viability evidence supporting the adopted CIL Charging Schedule, this report tests the cumulative impact of planning policies to determine whether there is scope for CIL rates to change and be introduced for the aforementioned uses respectively.

2.2 In terms of methodology, we adopted standard residual valuation approaches to test the viability of office and Shared Living / Co-Living development typologies on sites within Stratford and throughout the LLDC's area respectively, including the impact on viability of the LLDC's emerging planning policies in the RLP. However, due to the extent and range of financial variables involved in residual valuations, they can only ever serve as a guide. Individual site characteristics (which are unique), mean that conclusions must always be tempered by a level of flexibility in application of policy requirements on a site by site basis. For CIL rates, this means leaving adequate headroom below the maximum rates to deal with the differences that often occur when individual schemes come forward through the development management process.

2.3 In light of the above we would highlight that the purpose of this viability study is to assist the LLDC in understanding changes to the capacity of office schemes in Stratford and ability for Shared Living / Co-Living developments to absorb CIL and to support any proposed changes to the Charging Schedule through the adoption process. The Study therefore provides an evidence base to show that the requirements set out within the NPPF, CIL Regulations and National Planning Practice Guidance ('NPPG') are met. The key underlying principle is that charging authorities should use evidence to strike an appropriate balance between the desirability of funding infrastructure from the levy and the potential impact upon the economic viability of development across their area.

Economic and housing market context

2.4 The housing and commercial property markets are inherently cyclical. The downwards adjustment in house prices in 2008/9 was followed by a prolonged period of real house price growth. By 2010 improved consumer confidence fed through into more positive interest from potential house purchasers. However, this brief resurgence abated with figures falling and then fluctuating in 2011 and 2012. The improvement in the housing market towards the end of 2012 continued through into 2013 at which point the growth in sales values improved significantly through to the last quarter of 2014, where the pace of the improvement was seen to moderate and continued to do so in 2015. The UK economy sustained momentum following the result of the UK's referendum on its membership of the European Union (EU), and as a result the UK housing market surprised many in 2016. The average house price rose 4.5%, which was 0.2% lower than our forecast and ahead of the level recorded in 2015. While first time buyer numbers continued to recover in 2016, overall transaction levels slowed as some home movers and investors withdrew from the market.

2.5 The referendum held on 23 June 2016 on the UK's membership of the EU resulted in a small majority in favour of exit. The immediate aftermath of the result of the vote was a fall in the Pound Sterling to a 31 year low and stocks overselling due to the earnings of the FTSE being largely in US Dollars. As the Pound dropped significantly this supported the stock market, which has since recouped all of the losses seen and is near the all-time highs. We are now in a period of uncertainty in relation to many factors that impact the property investment and letting markets. In March 2017 (the point at which Article 50 was triggered signalling the official commencement of the UK's exit from the EU), the Sterling Exchange Rate Index ("ERI") fell a further 1.5% from the end of February and was 10.5% lower compared with the end of March 2016. Since August 2017 the Bank of England's ("BoE's")

Inflation Reports have identified that Sterling has broadly remained around 15%-20% below its pre-referendum peak (November 2015). The August 2018 Report identified that ERI was 2.5% lower than in its run up to the May 2018 Report and around 17% below the late-2015 peak.

2.6 There have been tentative signs of improvement and resilience in the market, however this has been tempered by heightened uncertainty relating to post EU exit arrangements. In BNP Paribas real Estate's Summer 2018 Residential Quarterly Update it identifies that the UK's exit from the EU *"is making gradual progress with details slowly being released. Theresa May has outlined the UK's desired position with regards to the UK's future relationship with the EU. However it is important to note this is just the government's preferred position and has yet to be agreed by the EU and could therefore change substantially over the coming months. The recent announcements have also highlighted the lack of consensus within the government, seeing both the Brexit Secretary and Foreign Secretary resigning."*

2.7 The International Monetary Fund ("IMF") revised its forecast for UK growth in 2016 on 4 October 2016 from 1.7% to 1.8%, thereby partly reversing the cut it made to the forecast shortly after the referendum (1.9% to 1.7%). Notwithstanding this, it further trimmed its 2017 forecast from 1.3% to 1.1%, which stood at 2.2% prior to the Referendum. This figure was subsequently increased to 2% in April 2017, however was reduced in July 2017 to 1.7%. This figure remains unchanged in the July 2018 World Economic Outlook ("WEO") Report Update. The IMF anticipates growth to slow in 2018 and 2019, with current forecasts of 1.4% and 1.5% respectively. The 2018 projection has been reduced from 1.6% projected in the April 2018 WEO. We understand that these figures reflect the anticipated higher barriers to trade and lower foreign direct investment following the UK's exit from the EU.

2.8 The BoE's August Inflation Report sets out that *"Quarterly GDP growth is estimated to have slowed to 0.2% in 2018. That was revised up from 0.1% in the preliminary estimate and, as set out in the May Report, it is expected to be revised up further to 0.3% in the mature estimate. In May, the MPC judged that growth in Q1 was probably depressed by around 0.1 percentage points by disruption from adverse weather. Developments since then have been broadly consistent with that judgement. For example, according to Bank calculations based on responses to the ONS Labour Force Survey, total hours worked were 0.15% lower in Q1 due to the adverse weather. GDP growth is expected to have recovered to 0.4% in Q2, as anticipated in May. That is slightly faster than the estimated growth rate of potential supply − the pace at which output can grow consistent with balanced inflationary pressures. Newly introduced ONS estimates of monthly GDP growth suggest that growth in the three months to May was 0.2%. That growth rate continued to be depressed by the impact of weak activity in March however, probably due to the adverse weather. By contrast, monthly growth in April and May averaged %. The recovery in GDP growth in Q2 is expected to have been driven by a pickup in consumption growth, to 0.5%. A number of indicators of household spending, including consumer credit growth and property transactions, which were weak in Q1, have bounced back since then, suggesting much of the earlier weakness was erratic. In addition, retail sales grew by 2.1% in Q2. Although in the past year the number of retail store closures have increased and retail footfall has fallen, contacts of the Bank's Agents suggest that mainly reflects shifts in consumer demand to online stores and from goods to services. And although growth in household money has slowed, that appears to reflect an unwind of past shifts in demand for different assets"*

2.9 A key issue at present is the above target levels of *inflation that have been experienced. The IMF April 2018 World Economic Outlook Report identifies that, "In most advanced economies, core inflation remains below target but appears to be edging up in response to stronger demand. The United Kingdom is an exception to the pattern of below-target inflation. At 2.4 percent in February, UK core inflation is below the peak it reached in 2017 in the aftermath of the June 2016 Brexit referendum pound depreciation, but remains above the Bank of England's target of 2 percent."* This remains the case in mid-2018 with the BoE's August 2018 Inflation Report stating that, *"CPI inflation was 2.4% in June, pushed above the 2% target by external cost pressures resulting from the effects of sterling's past depreciation and higher energy prices. The contribution of external pressures is projected to ease over the forecast period while the contribution of domestic cost pressures is expected to rise. Taking these influences together, and conditioned on the gently rising path of Bank Rate implied by current market yields, CPI inflation remains slightly above 2% through most of the forecast period, reaching the target in the third year."*

2.10 The April 2018 Economic Outlook report by the IMF report identified that, *"The unemployment rate in the United Kingdom is close to historic lows; further declines could add to inflation pressure by triggering faster wage growth in a context of inflation that is already above target following currency depreciation after the June 2016 Brexit referendum. Gradual monetary tightening is therefore needed to ensure that inflation returns to target and expectations remain anchored."* This is recognised by the BoE, however they are also acutely aware of the uncertainty currently presiding and the impact any changes to monetary policy might have on jobs and activity. *"Developments regarding the United Kingdom's withdrawal from the European Union — and in particular the reaction of households, businesses and asset prices to them — remain the most significant influence on, and source of uncertainty about, the economic outlook. In such exceptional circumstances, the MPC's remit specifies that the Committee must balance any trade-off between the speed at which it intends to return inflation sustainably to the target and the support that monetary policy provides to jobs and activity."*

2.11 The BoE's August inflation Report identifies that the *"Bank of England's Monetary Policy Committee ("MPC") sets monetary policy to meet the 2% inflation target, and in a way that helps to sustain growth and employment. At its meeting ending on 1 August 2018, the MPC voted unanimously to increase Bank Rate by 0.25 percentage points, to 0.75%."* The rate remains low by historic standards and BNPPRE considers that any additional rise in interest rate that may occur will likely be introduced slowly and steadily to eliminate economic shock. Nationwide's Chief Economist, Robert Gardiner identifies in the July 2018 House Price Index Report that "*Providing the economy does not weaken further, the impact of a further small rise in interest rates on UK households is likely to be modest. This is partly because only a relatively small proportion of borrowers will be directly impacted by the change. Most lending on personal loans and credit cards is fixed or tends to be unaffected by movements in the Bank Rate. Similarly, in recent years, the vast majority of new mortgages have been extended on fixed interest rates."*

2.12 It is worth noting that stamp duty changes when purchasing residential property from December 2014, has also had an effect on the housing market, as it encourages first time buyers, who predominantly purchase lower priced properties, to pay lower stamp duty rates: up to £125,000 (0%), up to £250,000 (2%); and discourages wealthier families to buy property who have the capital to buy a £1,000,000 home but now have to pay 10% stamp duty rates, which will significantly impede their budgets and affordability. However, for overseas investors, the post-EU referendum fall in sterling has offset the impact of higher Stamp Duty to a large extent. As BNP Paribas Real Estate noted in our Q2 Housing Market Report and reaffirms in our Q3 2017 Housing Market Prospectus Report, "the market has become increasingly reliant on first-time buyers, especially with the depletion of mortgaged movers from the market. Income weakness clearly has potential to dent activity amongst this group given the high average loan-to-value ratios needed to gain the first step on the ladder."

2.13 This position remains relevant into 2018 with the BoE's April 2018 Inflation Report commenting that *"Around four fifths of housing investment consists of new buildings and improvements to existing buildings. Housing investment over 2017 has been supported in part by new home building, with housing starts having increased since 2016 Q1. Contacts of the Bank's Agents have reported that starts have been supported in part by demand for new-build properties from first-time buyers using the Help to Buy equity loan scheme. Starts fell back in 2017 Q3, however, which will weigh slightly on housing investment growth in the near term."* The BoE report goes on summarise that, *"Overall, activity in the housing market is projected to pick up a little in the near term, while house price inflation and housing investment growth are expected to slow slightly. Measures detailed in the November 2017 Budget to support homeownership — such as stamp duty relief for first-time buyers, an expansion of the Help to Buy equity loan scheme and measures aiming to boost housebuilding — may support activity, particularly for first-time buyers. The impact on the overall housing market is likely to be small, however."*

2.14 In addition, there remains the further impact on the market due to tax changes on the purchase of second properties. The August BoE's August 2017 Inflation Report highlighted that, *"Much of the weakness in housing market activity over the past 18 months reflects a fall in the number of buy to let property transactions following policy changes such as the introduction of the stamp duty charge for additional properties in April 2016. Buy-to-let mortgage completions fell sharply in April 2016 and have remained broadly flat since then. Perhaps consistent with that, the slowdown in housing market activity over the past 18 months has been particularly pronounced in London and the South East, which together account for around 50% of buy-to-let transactions."*

2.15 BNP Paribas Real Estate's Q3 2017 Housing Market Prospectus Report, highlighted that the Council of Mortgage Lenders (CML) published a report entitled 'Missing Movers: A Long-Term Decline in Housing Transactions?', which investigates the reasons for the low level of housing transactions that have become a feature of the UK market since the financial crisis. The research finds long-term economic and demographic issues are responsible for the dip in activity, with ageing and equity-rich households reducing activity at one end of the market while affordability has sapped activity amongst mortgaged households, the former being the bedrock of housing activity. With little expectation of either improving real incomes, or a growth in equity to make potential moves worthwhile, the report concludes that in the absence of any radical changes to housing or indeed wider related policies *"we should expect for the foreseeable future movement among mortgaged households to remain constrained."* It is notable therefore that more affordable regions of the country such as, the West Midland and the South West, benefiting from a solid economic base are currently "*showing more robust levels of activity (RICS)".*

2.16 Nationwide's July 2018 House Price Index Report identifies that the, *"There was a slight uptick in annual house price growth in July to 2.5%, from 2.0% in June. Nonetheless, annual house price growth remains within the fairly narrow range of c2-3% which has prevailed over the past 12 months, suggesting little change in the balance between demand and supply in the market."* This position correlates with that reported in the August 2018 Halifax House Price Index Report, which states that *"House prices picked up in July, with the annual rate of growth rising from 1.8% in June to 3.3% in July, the largest increase since last November. The average house price is now £230,280, the highest on record. House prices in the three months to July were 1.3% higher than in the previous quarter, the fastest quarterly increase, again, since November."*

2.17 A key feature of the market currently is a mixed regional picture with the UK's house prices showing modest growth overall, but with some regions still outperforming. Robert Gardiner, Nationwide's Chief Economist identified in the March 2018 that, "*For the fourth quarter in a row, regions in the North of England recorded stronger annual house price growth than those in the South."* He further highlighted London to be the weakest performing market stating that "*London continued to experience modest annual price declines, with average house prices down 1% compared with a year ago."* However, in BNP Paribas Real Estate's opinion, these overall figures for London are likely to mask differences between the overheated central London markets versus the still affordable outer London markets, which are still seeing growth as a result of significant demand and regeneration.

2.18 Both Nationwide and Halifax, have highlighted the relationship between muted house price growth, Mortgages remaining affordable despite the recent BoE Base Rate increase and the continuing strength of the UK jobs market, however they differ on the point of the pressures on household finances.

2.19 Russell Galley, Managing Director of the Halifax identifies in the August 2018 report that *"While the quarterly and annual rates of house price growth have improved, housing activity remains soft. Despite the recent modest improvement in mortgage approvals, the latest survey data for new buyer enquiries and agreed sales suggest that approvals will remain broadly flat until the end of the year. In contrast, the labour market remains robust, with the numbers of people in employment rising by 137,000 in the three months to May with much of the job creation driven by a rise in full-time employment. Pressures on household finances are also easing as growth in average earnings continues to rise at a faster rate than consumer prices. With regards to the recent rise in the Bank of England Base Rate, we do not anticipate that this will have a significant effect on either mortgage affordability or transaction volumes"*

2.20 Robert Gardiner of Nationwide considers in the July report that, *"Subdued economic activity and ongoing pressure on household budgets is likely to continue to exert a modest drag on housing market activity and house price growth this year, though borrowing costs are likely to remain low. Overall, we continue to expect house prices to rise by around 1% over the course of 2018."*

2.21 Residential sales value forecasts by numerous property firms have continued to identify since June 2016 that uncertainty has weighed down the market slowing sales value growth. In BNP Paribas Real Estate's Summer 2018 Residential Quarterly Update we identify that,

"Now that there have been some initial agreements reached on Brexit, attention can move towards trade negotiations. The route Britain takes with these issues will have large implications on the nature of Brexit and the future strength of the UK economy. The fundamentals of the UK economy remain broadly positive, but sentiment remains very cautious.

Total transaction levels for England and Wales look to be relatively equivalent to this time last year. However, in PCL despite transactions picking up over the course of 2017, they continue to be low by historic standards. With substantial economic and political uncertainty continuing, it doesn't look likely that this will change any time soon."

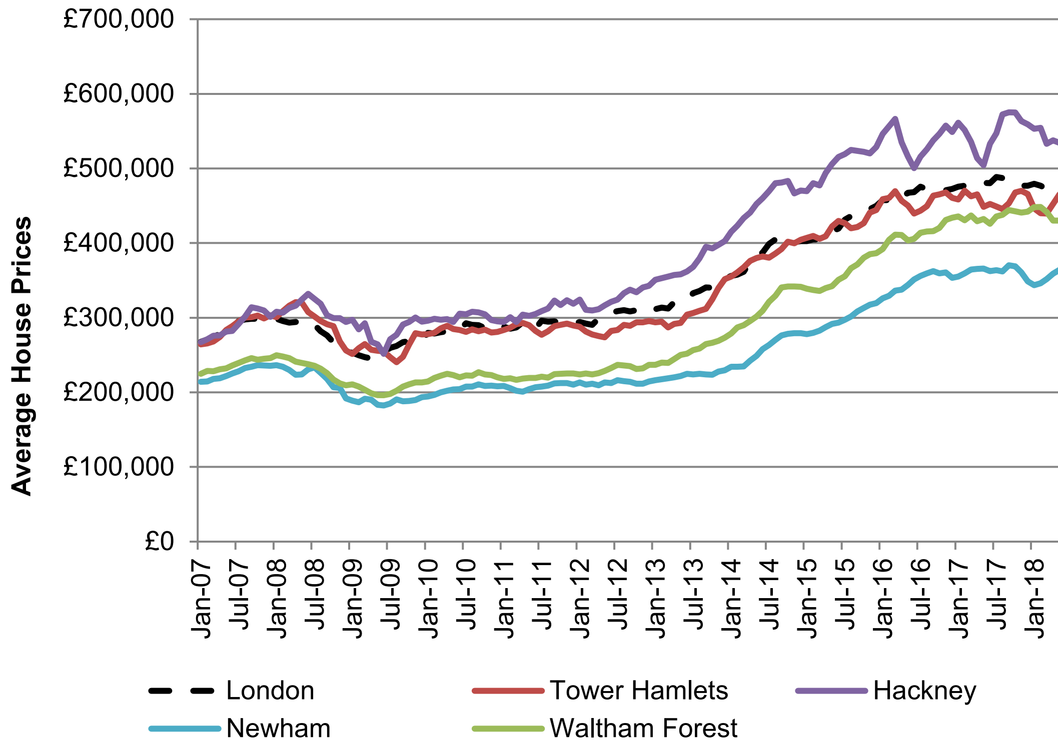
2.22 The future trajectory of house prices is currently uncertain. Vanessa Hale, Research Director at BNP Paribas Real Estate, states in the Summer 2018 Residential Quarterly Update that *"We continue to hold our residential house price forecasts for sales and lettings as the wider economic and political uncertainty remains. We maintain that from 2019 onwards it continues to be extremely difficult to forecast the housing market with any certainty, but we would expect some bounce back and a return to growth once more stability has returned to the UK."*

2.23 Forecasts for house price growth identify that values are expected to increase over the next five years, however this price growth is identified as being more moderate than over the past 20 years. There is a consensus that a low level of price growth is expected over the next couple of years with a return to stronger sales value growth in 2020 -2022, when it is anticipated that there will be more certainty on the deal agreed for the UK's exit from the EU and employment growth, wage growth and GDP growth return towards trend levels. Stephanie McMahon, BNP Paribas Real Estate's Head of Research commented in Q1 2018 Residential Forecast that, "*Traditionally the most buoyant housing market in the UK, London experienced a slowdown following the EU Referendum and this may continue until 2020. Regional hotspots are likely to be the drivers of UK house price growth in the meantime, with 18% growth forecast for the UK over 5 years to 2022."* We provide further detail on the mainstream London market sales value forecasts below.

2.24 House prices in the LLDC have followed recent national trends, with values falling in 2008 to 2009, recovering strongly and exceeding previous peak of the market prices to March 2016. Following this the market has slowed and become more volatile given the uncertainties of the UK's departure from the EU, (see Figure 2.24.1). Sales volumes in the LLDC's area fell below historic levels between 2009 and 2013 and have since recovered to levels achieved during the period leading up to 2007 (see Figure 2.24.2).

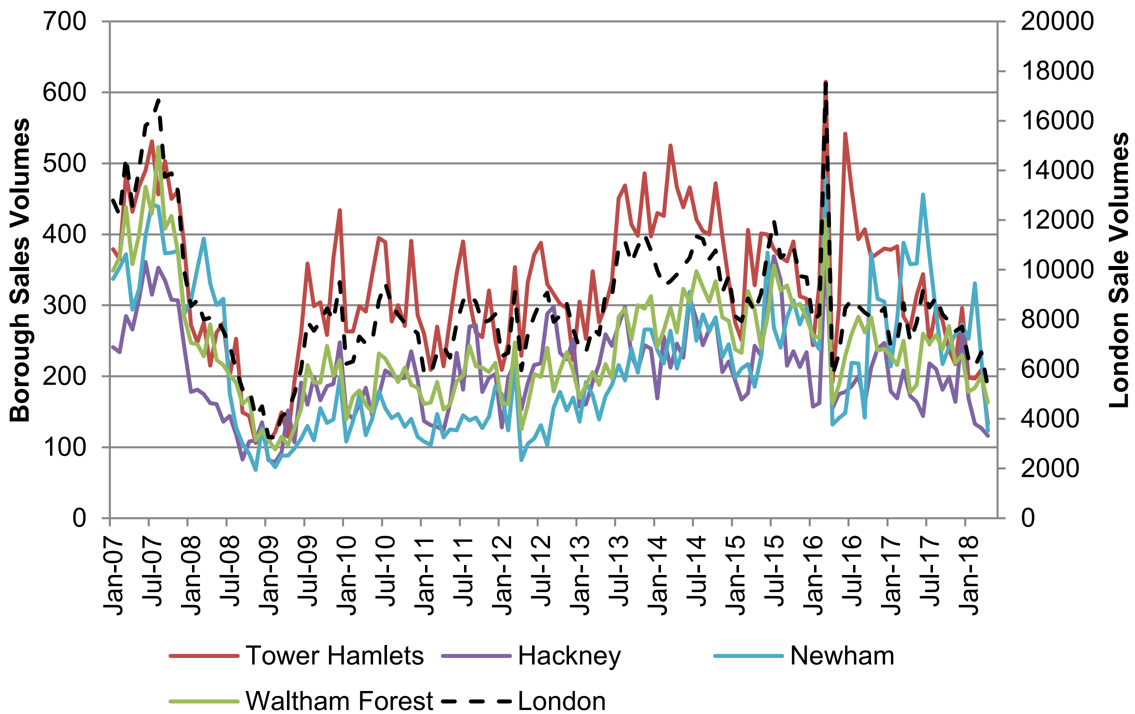
2.25 According to Land Registry data, residential sales values in the four boroughs have recovered since the lowest point in the cycle circa May to August 2009. Values in the four boroughs and London as a whole are identified by the Land Registry database as having exceeded the peak values by between 50% and 74% (76% in London).

Figure 2.24.1: Average house prices in London and boroughs in which the LLDC area falls[3]



Source: Land Registry

Figure 2.24.2: Sales volumes in London and boroughs in which the LLDC area falls (sales per month)



Source: Land Registry

[3] Data Specific to the LLDC area only is not available through the Land registry website, consequently we have reviewed data available from the Land Registry for the four boroughs in which the LLDC area is located.

2.26 The future trajectory of house prices is currently uncertain, although BNP Paribas Real Estate, Knight Frank, JLL and Savills currently forecast growth in house prices over the next five years (see Table 2.25.1 below). They identify that the Mainstream London market will grow by between 7.1% to 13.1% over the period between 2018 to 2022 inclusive. This is compared to a UK average of between 12.6% to 18% cumulative growth over the same period.

Table 2.26.1: House price forecasts for prime and mainstream London markets and the UK market as a whole

London Markets	2018	2019	2020	2021	2022	Cumulative growth
Mainstream London - Knight Frank (May 2018)	-0.5%	2.5%	3.0%	3.5%	4.0%	13.1%
Greater London – JLL (January 2018)	0.0%	1.5%	2.0%	3.5%	4.0%	11.4%
Mainstream London – Savills (April 2018)	-2.0%	0.0%	5.0%	2.0%	2.0%	7.1%
UK - Knight Frank (May 2018)	1.0%	2.0%	3.0%	3.5%	4.0%	14.2%
UK – JLL (January 2018)	1.0%	2.0%	2.5%	3.0%	3.5%	12.6%
UK- BNPPRE / Strutt & Parker (August 2018)	2.5%	2.5%	4.0%	4.0%	4.0%	18.0%
UK – Savills (April 2018)	1.0%	2.5%	5.0%	2.5%	2.5%	14.2%

National Policy Context

The National Planning Policy Framework 2018

2.27 In July 2018, the government published a revised National Planning Policy Framework ('NPPF') and revised National Planning Practice Guidance ('NPPG').

2.28 Paragraph 34 of the NPPF states that "*Plans should set out the contributions expected from development. This should include setting out the levels and types of affordable housing provision required, along with other infrastructure (such as that needed for education, health, transport, flood and water management, green and digital infrastructure). Such policies should not undermine the deliverability of the plan*".

2.29 Paragraph 57 of the NPPF suggests that "*Where up-to-date policies have set out the contributions expected from development, planning applications that comply with them should be assumed to be viable. It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage. The weight to be given to a viability assessment is a matter for the decision maker, having regard to all the circumstances in the case, including whether the plan and the viability evidence underpinning it is up to date, and any change in site circumstances since the plan was brought into force. All viability assessments, including any undertaken at the plan-making stage, should reflect the recommended approach in national planning guidance, including standardised inputs, and should be made publicly available*".

2.30 In London and other major cities, the fine grain pattern of types of development and varying existing use values make it impossible to realistically test a sufficient number of typologies to reflect every conceivable scheme that might come forward over the plan period. The LLDC's proposed approach of reflecting the Mayor of London's 'threshold' approach to affordable housing will allow schemes that cannot provide as much as 35% affordable housing to still come forward rather than being sterilised by a fixed or 'quota' based approach to affordable housing.

2.31 Prior to the publication of the updated NPPF, the meaning of a "*competitive return*" was the subject of considerable debate over the past year. For the purposes of testing the viability of a Local Plan, the Local Housing Delivery Group[4] concluded that the current use value of a site (or a credible alternative use value) plus an appropriate uplift, represents a competitive return to a landowner. Some members of the RICS considered that a competitive return is determined by market value[5], although there was

[4] Viability Testing Local Plans: Advice for planning practitioners, June 2012

[5] RICS Guidance Note: Financial Viability in Planning, August 2012

no consensus around this view. The revised NPPF removes the requirement for *"competitive returns"* and is silent on how landowner returns should be assessed. The revised PPG indicates that viability testing of plans should be based on existing use value plus a landowner premium. The revised PPG also expresses a preference for plan makers to test the viability of planning obligations and affordable housing requirements at the plan making stage in the anticipation that this may reduce the need for viability testing developments at the development management stage. Local authorities have, of course, been testing the viability of their plan policies since the first NPPF was adopted, but have adopted policies based on the most viable outcome of their testing, recognising that some schemes coming forward will not meet the targets. This approach maximises delivery, as there is flexibility for schemes to come forward at levels of obligations that are lower than the target, if a proven viability case is made. The danger of the approach in the revised NPPF is that policy targets will inevitably be driven down to reflect the least viable outcome; schemes that could have delivered more would not do so.

CIL Policy Context

2.32 As of April 2015 (or the adoption of a CIL Charging Schedule by a charging authority, whichever was the sooner), the S106/planning obligations system' i.e. the use of 'pooled' S106 obligations, was limited to a maximum of five S106 agreements. The adoption of a CIL charging schedule is discretionary for a charging authority; however, the scaling back of the use of pooled S106 obligations is not discretionary. As such, should charging authorities elect not to adopt a CIL Charging Schedule, it may have implications with regard to funding infrastructure in their areas in future and they will need to be aware of such implications in their decision-making.

2.33 It is worth noting that some site specific S106 obligations remain available for negotiation, however these are restricted to site specific mitigation that meet the three tests set out at CIL Regulation 122 and to the provision of affordable housing. They cannot be used for securing payments towards infrastructure[6] that benefit more than one development, unless they form part of a maximum of five S106 agreements, from which contributions to provide infrastructure can be pooled.

2.34 The CIL regulations state that in setting a charge, local authorities must strike "an appropriate balance" between revenue maximisation on the one hand and the potentially adverse impact upon the viability of development on the other. The regulations also state that local authorities should take account of other sources of available funding for infrastructure when setting CIL rates. This report deals with viability only and does not consider other sources of funding (this is considered elsewhere within the LLDC's evidence base).

2.35 Local authorities must consult relevant stakeholders on the nature and amount of any proposed CIL at two stages; after publication of the Preliminary Draft Charging Schedule ("PDCS") and the Draft Charging Schedule ("DCS"). Following consultation, a charging schedule must be submitted for independent examination.

2.36 The payment of CIL becomes mandatory on all new buildings and extensions to buildings with a gross internal floorspace over 100 square metres once a charging schedule has been adopted. The CIL regulations allow a number of reliefs and exemptions from CIL. Firstly, affordable housing and buildings with other charitable uses (if a material interest in the land is owned by the charity and the development is to be used wholly or mainly for its charitable purpose) are subject to relief. Secondly, local authorities may, if they choose, elect to offer an exemption on proven viability grounds. A local authority wishing to offer exceptional circumstances relief in its area must first give notice publicly of its intention to do so. The local authority can then consider claims for relief on chargeable developments from landowners on a case by case basis. In each case, an independent expert with suitable qualifications and experience must be appointed by the claimant with the agreement of the local authority to assess whether paying the full CIL charge would have an unacceptable impact on the development's economic viability.

2.37 The exemption would be available for 12 months, after which time viability of the scheme concerned would need to be reviewed. To be eligible for exemption, regulation 55 states that the Applicant must enter into a Section 106 agreement; and that the Authority must be satisfied that granting relief would

[6] This infrastructure should not be identified on the LLDC's Regulation 123 list.

not constitute state aid. It should be noted however that CIL cannot simply be negotiated away or the local authority decide not to charge CIL.

2.38 CIL Regulation 40 includes a vacancy period test for calculating CIL liability so that vacant floorspace can be offset in certain circumstances. That is where a building that contains a part which has not been in lawful use for a continuous period of at least six months within the last three years, ending on the day planning permission first permits the chargeable development, the floorspace may not be offset.

2.39 The CIL regulations enable local authorities to set differential rates (including zero rates) for different zones within which development would take place and also for different types of development. The CIL Guidance set out in the NPPG (paragraph 022) clarifies that CIL Regulation 13 permits charging authorities to levy *"differential rates by reference to different intended uses of development."* Charging Authorities taking this approach need to ensure that such different rates are justified by a comparative assessment of the economic viability of those categories of development. Further the NPPG clarifies that the definition of "use" for this purpose is not tied to the classes of development in the Town and Country Planning Act (Use Classes) Order 1987, although that Order does provide a useful reference point.' The NPPG also sets out (paragraph 023) that charging authorities may also set differential rates in relation to, scale of development i.e. by reference to either floor area or the number of units or dwellings.

2.40 The 2010 CIL regulations set out clear timescales for payment of CIL, which are varied according to the size of the payment, which by implication is linked to the size of the scheme. The 2011 amendments to the regulations allowed charging authorities to set their own timescales for the payment of CIL if they choose to do so. This is an important issue that the LLDC will need to consider, as the timing of payment of CIL can have an impact on an Applicant's cashflow (the earlier the payment of CIL, the more interest the Applicant will bear before the development is completed and sold).

2.41 The Government published the findings of the independent CIL review alongside the Housing White Paper in February 2017. The White Paper identified at paragraph 2.28 that the Government "*continue to support the existing principle that developers are required to mitigate the impacts of development in their area, in order to make it acceptable to the local community and pay for the cumulative impacts of development on the infrastructure of their area."* The White Paper summarised the main finding of the CIL review to be that "*the current system is not as fast, simple, certain or transparent as originally intended."*

2.42 As a result the Government committed to *"examine the options for reforming the system of developer contributions including ensuring direct benefit for communities, and will respond to the independent review and make an announcement at Autumn Budget 2017."* The government's recent consultation on changes to the NPPF includes proposed reforms of CIL, including the following potential changes:

- The potential for charging authorities to adopt Strategic Infrastructure Tariffs ('SITs') to fund strategic infrastructure that cross borough boundaries. Any potential SIT proposals would need to be factored into the viability testing to ensure rates of CIL that are set are viable alongside SITs and Local Plan policies

- Potential changes to the approach to consultation with stakeholders, with the current formal process replaced with a statement on how the Authority has engaged, which would form part of the Examination in Public.

- Potential removal of pooling restrictions on Section 106. If charging authorities intend to collect funds for infrastructure through pooled contributions, any such contributions would need to be incorporated into viability testing to ensure that the CIL rates charged alongside Section 106 remain viable.

- Encouragement for setting specific rates for all uses on large strategic developments would require the testing of individual strategic sites to determine an appropriate and specific rate. Charging authorities would need to identify which sites this may apply to.

- Setting rates according to existing uses of sites is a key change proposed by the government. This would enable charging authorities to set higher rates on sites that are currently in low value uses (e.g. agricultural use or secondary industrial).
- Changes to the way CIL is indexed, moving from indexation by reference to changes in build costs to changes in values across the borough.

Mayoral CIL

2.43 As a Local Charging Authority, the LLDC is required to calculate, collect and enforce the Mayoral CIL. The LLDC area currently operates under a complex Mayoral CIL charging regime as a result of its location within four London Boroughs (Newham, Hackney, Tower Hamlets and Waltham Forest). Newham and Waltham Forest fall within the London Mayoral CIL Charging Zone 3 whilst Tower Hamlets and Hackney fall within Charging Zone 2. This has effectively split the Development Corporation area into two sections, with the west requiring a £35 per square metre (un-indexed) charge and the east a £20 per square metre (un-indexed) charge on most development (i.e. 100 square metres or more, or a development which creates at least one dwelling, even where this is below 100 square metres excluding health, education and affordable housing floorspace).

2.44 We note the Mayor published the Mayor of London Community Infrastructure Levy 2 Preliminary Draft Charging Schedule (MCIL2 PDCS) on 26 June 2017 for consultation, and following this published the Draft Charging Schedule (MCIL2 DCS) for consultation between 18 December 2017 and 4 February 2018. The Mayor's submitted Charging Schedule will be examined on 10-12 September 2018. The Mayor intends to introduce MCIL2 on 1 April 2019 which will supersede both the current Mayor's CIL (MCIL1) and the associated planning obligation/S106 charge scheme applicable to areas directly benefiting from Crossrail services.

2.45 The MCIL2 submitted DCS recognises the LLDC as a separate charging authority falling within Band 2, for which the Mayor intends to charge a single rate of £60 per square metre on all new development (except health and education) from April 2019. MCIL2 does not propose any higher charges for commercial uses in the 'Rest of London' area this is only in place for office, retail and hotel in the Central Activities Zone and the Isle of Dogs. In light of this, this study takes into consideration the implications of the proposed increased cost associated with the MCIL2.

LLDC CIL

2.46 The LLDC approved its CIL Charging Schedule in January 2015 and it came into effect on 6 April 2015. Table 2.46.1 below summarises the rates of CIL charged (un-indexed).

Table 2.46.1: CIL rates per net additional sq m in the adopted Charging Schedule

Use	Rate (£ per sq m)
Residential	£60
Student Accommodation	£100
Convenience supermarkets and superstores and retail warehouses (over 1,000 sq m)	£100
Hotels	£100
Comparison and all other retail (A1-A5) in 'Stratford Retail Area'	£100
Comparison and all other retail (A1-A5) outside 'Stratford Retail Area'	Nil
All other uses except education and healthcare	Nil
Education and Healthcare	Nil

Local Policy context

2.47 The study takes into account the emerging policies and standards set out in the LLDC's emerging RLP consultation document to be published in Autumn 2018. These include inter alia affordable housing requirements; sustainability, accessibility and developer contributions towards infrastructure. There are numerous policy requirements that are now embedded in base build costs for schemes in London addressing London Plan requirements, which are mirrored in local planning authority Local Plans (i.e. secure by design, lifetime homes, landscaping, amenity space, internal space standards, car parking, waste storage, tree preservation and protection etc.).

2.48 It is therefore considered prudent to assume that developments can absorb the pre-existing requirements in the adopted policies. Therefore, notwithstanding the unit mix and affordable housing target, only the elements of the policy framework which are proposed to change as part of RLP, and which have cost implications for developments will need to be tested. The affordable housing policy is tested despite reflecting the existing policy, as it has a significant bearing on the viability of developments, even though it has been in place for a considerable period.

2.49 In addition to CIL and financing infrastructure through residual Section 106 contributions (subject to pooling restrictions), the LLDC expects residential developments to provide a mix of affordable housing tenures to help meet identified housing needs. Strategic Policy SP.2 brings the LLDC's strategic target and viability threshold for affordable homes in line with the emerging draft New London Plan Policy H6, i.e. maximising affordable housing delivery through a 35% target on a habitable room basis with the target increasing to 50% on public sector land and industrial land where the scheme would result in a net loss of industrial floorspace capacity.

2.50 Policy H.1 Housing mix seeks to diversify the range of housing provision by securing an appropriate mix of housing and accommodation types to meet identified local and strategic requirements.

2.51 Policy H.1 references Policy BN.4 Designing residential schemes, which requires that developments meet the nationally described space standards and consider the Legacy Corporation's inclusive design policy. In particular we highlight that the emerging London Plan Policy D5 Accessible housing requires at least 10% of new build dwellings meet Building Regulation requirement M4(3) 'wheelchair user dwellings and all other new build dwellings meet Building Regulation requirement M4(2) 'accessible and adaptable dwellings'.

2.52 Policy H.7 Shared Living Accommodation identifies that such schemes will be acceptable where they contribute financially towards the provision of off-site C3 affordable housing, equivalent to 35% of residential bedspaces within the proposal, or assessed through the *Viability Tested Route ("VTR")*.

2.53 Strategic Policy SP.5 A sustainable and healthy place to live and work, identifies that the LLDC will seek to achieve sustainable developments by means of a range of measures set out including carbon emission, reducing water usage, etc. This is further expanded on in further policies covering specific topic areas covered by the strategic policy, which we set out below.

2.54 Policy S.2 Energy in new development, identifies that developments will be expected to minimise carbon dioxide emissions to the fullest extent possible by application of the Energy Hierarchy as set out below:

"1. Reducing energy requirements.

2. Supplying the energy that is required more efficiently and where possible generating, storing and using renewable energy on-site.

3. Meeting remaining energy requirements through renewable energy sources where viable and exploiting local energy resources.

Major development proposals should be net zero-carbon, with carbon dioxide emissions reduced from both construction and operation. The Draft London Plan sets this out as a minimum on-site reduction of at least 35 per cent beyond Building Regulations is to be expected. Residential development should aim to achieve 10 per cent, and non-residential development should aim to achieve 15 per cent

through energy efficiency measures.

Where these targets cannot be met on site, a financial contribution to the Legacy Corporation Carbon Offsetting Fund will be required. The Legacy Corporation Carbon Offset Supplementary Planning Document (adopted August 2016) sets out the rate per tonne of carbon dioxide and the scheme for applying the funds raised.

Major applications will be required to provide an Energy Strategy that sets out how the development has addressed the Energy Hierarchy and meets or exceeds the targets above and the source and method of proposed energy supply and will be expected to monitor and report on energy performance. Energy Strategies should be prepared in accordance with Policy SI2 of the London Plan."

2.55 Policy S4 requires non-domestic space within development to achieve BREEAM excellent.

2.56 Policy S8 Waste reduction identifies that in making planning decisions the LLDC will require new development proposals to contribute to the reduction of waste during construction and once operational, by minimising the amount of waste produced and maximising reuse, recycling and composting and promoting a more circular economy.

2.57 Policy S9 Overheating and urban greening identifies that proposals for new development should ensure that buildings and spaces are designed to avoid overheating and excessive heat generation internally and externally, while minimising the need for internal air conditioning systems, taking into account London Plan Policy SI4 and the Mayor's zero carbon target of 2050.

2.58 Policy S11 Sustainable drainage measures and flood protections seeks to ensure that the rate of surface water run-off from development sites should be restricted to no greater than the equivalent for a Green Field site of an equivalent for a Green Field site of an equivalent size. The Policy identifies that it should be managed as close to its source as possible in line with the drainage hierarchy set out in policy SI14 of the London Plan. Using sustainable drainage techniques as a first choice and only using other methods of flow restriction where it can be shown that sustainable drainage methods are not feasible in that location.

2.59 Policy SP4 Planning for and securing transport and utility infrastructure to support growth and convergence sets out that the LLDC will use its CIL funding to help deliver the infrastructure on the CIL Infrastructure list. Where appropriate and lawful, infrastructure or contributions toward its delivery will also be secured through the use of S106 Planning Obligations.

2.60 Policy B.4 Providing low-cost business space, affordable and managed workspace identifies that, existing managed affordable workspace or low-cost business space shall be retained, or re-provided in accordable with Policy B.1. New managed affordable workspace and/or low-cost business space will be encouraged where it:

1. Is flexible and able to meet the needs of various end users within B Use Classes;

2. Includes an appropriate management scheme secured through Section 106 Agreements; and

3. Re-provides existing low-cost business space or affordable workspace in accordance with Policy B.1 and it does not result in a net loss of employment.

Development context

2.61 The LLDC area is unique as it is responsible for delivering the Olympic Legacy promises made in the original London 2012 bid. This pledge was to undertake the long-term planning, development, management and maintenance of the Queen Elizabeth Olympic Park and its facilities after the London 2012 Games. The aim was to transform and integrate one of the most challenged areas in the UK into a world-class, sustainable and thriving neighbourhood.

2.62 Developments in the LLDC area are predominantly major regeneration projects, however there is also an element of small in-fill development. There is a diversity of residential development forms being pursued and delivered in the LLDC's area including PRS / BTR, student accommodation and in

particular Co-living / Shared-living accommodation schemes.

2.63 Co-living / Shared-living is a new format of purpose built residential accommodation, classified as Sui Generis, being delivered in London. Such development is defined within the LLDC's emerging RLP as "non-self-contained residential development (demonstrably not C3) which does not meet minimum housing standards; delivered under single management; with tenancies of at least three months; containing on-site, or linked off-site shared communal facilities encouraging shared interaction, above that required for washing and cooking; and which fall outside the scope of policies governing Houses of Multiple Occupation. Large-scale shared living is defined by the new London Plan as schemes containing 50 or more non-self-contained units".

2.64 Developments of this product have already been delivered/are coming forward in a number of boroughs across London, including within the LLDC's area. More developments of this type are expected to come forward as a consequence of the high costs of renting property in London and the market becomes more aware of this product and potentially more importantly as the product's appeal to investors grows and this sector matures, as we have seen with purpose built student accommodation and PRS/BTR products.

2.65 Commercial development is identified throughout the LLDC area, however, the majority of the commercial development is to be located within Stratford, which is envisaged as becoming a Metropolitan Centre with potential for an international role. This ambition is already progressing well with agents considering that demand for commercial space in this location is likely to continue to grow given the area's excellent transport links and future links such as Crossrail and the development of the International Quarter and Cultural and Education District.

2.66 We understand that office space in Stratford in particular is already competing with areas such as Canary Wharf where tenants have been secured who were either previously in or looking to rent space in Canary Wharf. A considerable amount of consented commercial floorspace has already been built out in Stratford and we understand that there remains a fair amount more in the pipeline still to be delivered as well as interest form developers in delivering further space through future planning applications for the area.

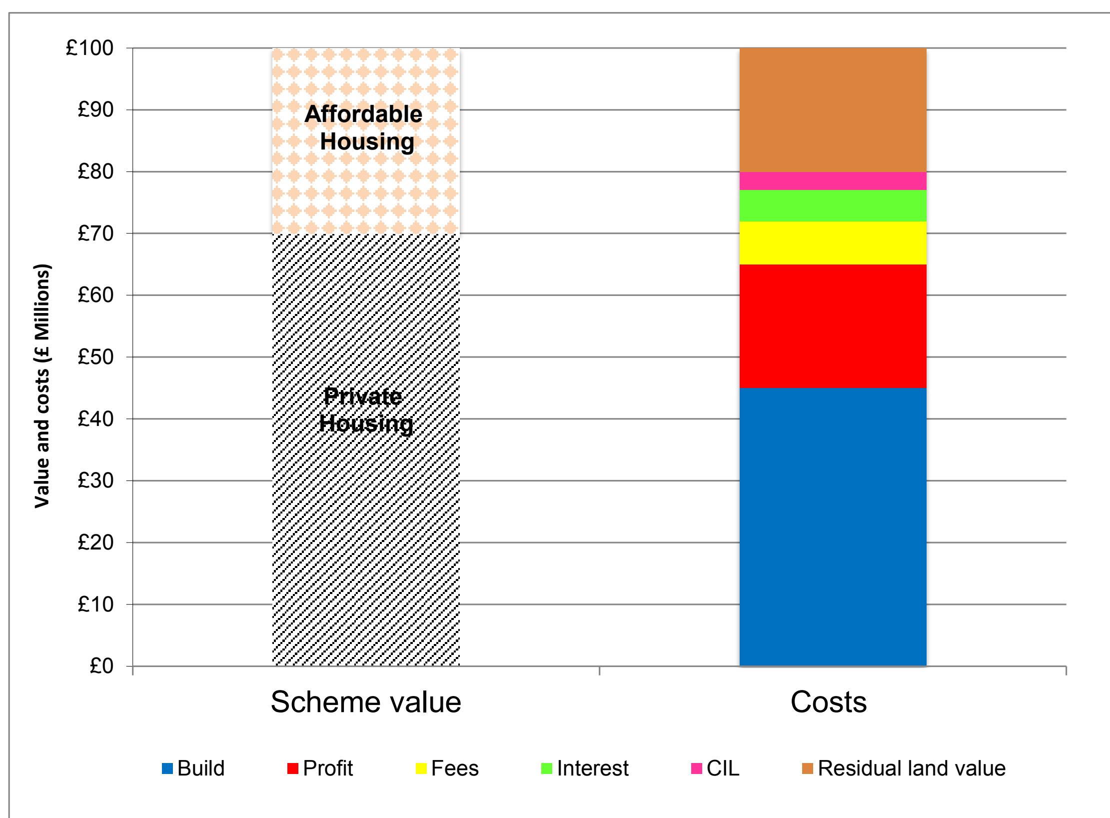
2.67 Given the LLDC's excellent accessibility via public transport and legacy status, the area has seen significant interest in the delivery of new products or one off/unique developments such as large entertainment, educational, cultural and sporting venues.

3 Methodology

3.1 Our methodology follows standard development appraisal conventions, using locally-based sites and assumptions that reflect local market and planning policy circumstances. The study is therefore specific to the LLDC and reflects the Legacy Corporation's existing and emerging RLP planning policy requirements.

Approach to testing development viability

3.2 Appraisal models can be summarised via the following diagram. The total scheme value is calculated, as represented by the left hand bar. This includes the sales receipts from the private housing (the hatched portion) and the payment from a Registered Provider ('RP') (the chequered portion) for the completed affordable housing units. For a commercial scheme, scheme value equates to the capital value of the rental income after allowing for rent free periods and purchaser's costs. The model then deducts the build costs, fees, interest, CIL and developer's profit. A 'residual' amount is left after all these costs are deducted – this is the land value that the Developer would pay to the landowner. The residual land value is represented by the brown portion of the right hand bar in the diagram.



3.3 The Residual Land Value is normally a key variable in determining whether a scheme will proceed. If a proposal generates sufficient positive land value (in excess of existing use value, discussed later), it will be implemented. If not, the proposal may not go ahead, unless there are alternative funding sources to bridge the 'gap'.

3.4 Problems with key appraisal variables can be summarised as follows:

- Development costs are subject to national and local monitoring and can be reasonably accurately assessed in 'normal' circumstances. Some sites will be previously developed. These sites can sometimes encounter 'exceptional' costs such as decontamination. Such costs can be very difficult to anticipate before detailed site surveys are undertaken but should in normal circumstances be reflected in bids for sites from developers;

- Assumptions about development phasing, phasing of Section 106 contributions and infrastructure required to facilitate each phase of the development will affect residual values. Where the delivery of the obligations are deferred, the less the real cost to the applicant (and the greater the scope for increased affordable housing and other planning obligations). This is because the interest cost is reduced if the costs are incurred later in the development cashflow; and

- While Developer's Profit has to be assumed in any appraisal, its level is closely correlated with risk. The greater the risk, the higher the profit level required by lenders. While profit levels were typically up to around 15% of completed development value at the peak of the market in 2007, banks currently require schemes to show a profit level that is reflective of current risk. Typically developers and banks have been targeting between 17-20% profit on value of the private housing element.

3.5 Ultimately, the landowner will make a decision on implementing a project on the basis of return and the potential for market change, and whether alternative developments might yield a higher value. The landowner's 'bottom line' will be achieving a residual land value that sufficiently exceeds 'existing use value[7]' or another appropriate benchmark to make development worthwhile. The margin above existing use value may be considerably different on individual sites, where there might be particular reasons why the premium to the landowner should be lower or higher than other sites.

3.6 Clearly, however, landowners have expectations of the value of their land which often exceed the value of the current use. Ultimately, if landowners' expectations are not met, they will not voluntarily sell their land and (unless a Local Authority is prepared to use its compulsory purchase powers) some may simply hold on to their sites, in the hope that policy may change at some future point with reduced requirements. However, the communities in which development takes place also have reasonable expectations that development will mitigate its impact, in terms of provision of community infrastructure, which will reduce land values. It is within the scope of those expectations that developers have to formulate their offers for sites. The task of formulating an offer for a site is complicated further still during buoyant land markets, where developers have to compete with other developers to secure a site, often speculating on increases in value.

Viability benchmark

3.7 The NPPF (2018) sets out at paragraph 34 that, *"Plans should set out the contributions expected from development. This should include setting out the levels and types of affordable housing provision required, along with other infrastructure (such as that needed for education, health, transport, flood and water management, green and digital infrastructure). Such policies should not undermine the deliverability of the plan."* The July 2018 updated NPPG on Viability indicates that for the purposes of testing viability, local authorities should have regard to existing use value of land plus a premium to incentivise release for redevelopment.

3.8 The Mayor's Affordable Housing and Viability SPG focuses on decision making in development management, rather than plan making, but indicates that benchmark land values should be based on existing use value plus a premium which should be "*fully justified based on the income generating capacity of the existing use with reference to comparable evidence on rents, which excludes hope value associated with development on the site or alternative uses*".

3.9 The Local Housing Delivery Group published guidance[8] in June 2012 which provides guidance on testing viability of Local Plan policies. The guidance notes that "*consideration of an appropriate Threshold Land Value [or viability benchmark] needs to take account of the fact that future plan policy requirements will have an impact on land values and landowner expectations. Therefore, using a market value approach as the starting point carries the risk of building-in assumptions of current policy costs rather than helping to inform the potential for future policy*".

[7] For the purposes of this report, existing use value is defined as the value of the site in its existing use, assuming that it remains in that use. We are not referring to the RICS Valuation Standards definition of 'Existing Use Value'.
8 Viability Testing Local Plans: Advice for planning practitioners, Local Housing Delivery Group, Chaired by Sir John Harman, June 2012

3.10 In light of the weaknesses in the market value approach, the Local Housing Delivery Group guidance recommends that benchmark land value "*is based on a premium over current use values*" with the "*precise figure that should be used as an appropriate premium above current use value [being] determined locally*". The guidance considers that this approach "*is in line with reference in the NPPF to take account of a "competitive return" to a willing land owner*".

3.11 The examination on the Mayor of London's first CIL charging schedule considered the issue of an appropriate land value benchmark. The Mayor had adopted existing use value, while certain objectors suggested that 'Market Value' was a more appropriate benchmark. The Examiner concluded that:

> *"The market value approach…. while offering certainty on the price paid for a development site, suffers from being based on prices agreed in an historic policy context." (paragraph 8)* and that "*I don't believe that the EUV approach can be accurately described as fundamentally flawed or that this examination should be adjourned to allow work based on the market approach to be done*" (paragraph 9).

3.12 In his concluding remark, the Examiner points out that

> *"the price paid for development land may be reduced* [so that CIL may be accommodated]. *As with profit levels there may be cries that this is unrealistic, but* ***a reduction in development land value is an inherent part of the CIL concept****. It may be argued that such a reduction may be all very well in the medium to long term but it is impossible in the short term because of the price already paid/agreed for development land. The difficulty with that argument is that if accepted the prospect of raising funds for infrastructure would be forever receding into the future. In any event in some instances it may be possible for contracts and options to be re-negotiated in the light of the changed circumstances arising from the imposition of CIL charges.* (paragraph 32 – emphasis added).

3.13 It is important to stress, therefore, that there is no single threshold land value at which land will come forward for development. The decision to bring land forward will depend on the type of owner and, in particular, whether the owner occupies the site or holds it as an asset; the strength of demand for the site's current use in comparison to others; how offers received compare to the owner's perception of the value of the site, which in turn is influenced by prices achieved by other sites. Given the lack of a single threshold land value, it is difficult for policy makers to determine the minimum land value that sites should achieve. This will ultimately be a matter of judgement for each planning authority.

3.14 Respondents to consultations on planning policy documents in other authorities in London have made various references to the RICS Guidance on 'Viability in Planning' and have suggested that charging authorities should run their analysis on market values. This would be an extremely misleading measure against which to test viability, as market values should reflect *existing policies already in place*, and would consequently tell us nothing as to how future (as yet un-adopted) policies might impact on viability. It has been widely accepted elsewhere that market values are inappropriate for testing planning policy requirements.

3.15 Relying upon historic transactions is a fundamentally flawed approach, as offers for these sites will have been framed in the context of current planning policy requirements, so an exercise using these transactions as a benchmark would tell the LLDC nothing about the potential for sites to absorb as yet unadopted policies. Various Local Plan inspectors and CIL examiners have accepted the key point that Local Plan policies and CIL will ultimately result in a reduction in land values, so benchmarks must consider a reasonable minimum threshold which landowners will accept. For local authority areas such as Lambeth, where the vast majority of sites are previously developed, the 'bottom line' in terms of land value will be the value of the site in its existing use. This fundamental point is recognised by the RICS at paragraph 3.4.4. of their Guidance Note on 'Financial Viability in Planning":

> *"For a development to be financially viable, any uplift from current use value to residual land value that arises when planning permission is granted should be able to meet the cost of planning obligations while ensuring an appropriate Site Value for the landowner and a market risk adjusted return to the developer in delivering that project (the NPPF refers to this as 'competitive returns' respectively). The return to the landowner will be in the form of a land value in excess of current use value".*

3.16 The Guidance goes on to state that "*it would be inappropriate to assume an uplift based on set percentages … given the diversity of individual development sites*".

3.17 Commentators also make reference to 'market testing' of benchmark land values. This is another variant of the benchmarking advocated by respondents outlined at paragraph 3.14. These respondents advocate using benchmarks that are based on the prices that sites have been bought and sold for. There are significant weaknesses in this approach which none of the respondents who advocate this have addressed. In brief, prices paid for sites are a highly unreliable indicator of their actual value, due to the following reasons:

- Transactions are often based on bids that 'take a view' on squeezing planning policy requirements below target levels. This results in prices paid being too high to allow for policy targets to be met. If these transactions are used to 'market test' CIL rates, the outcome would be unreliable and potentially highly misleading.

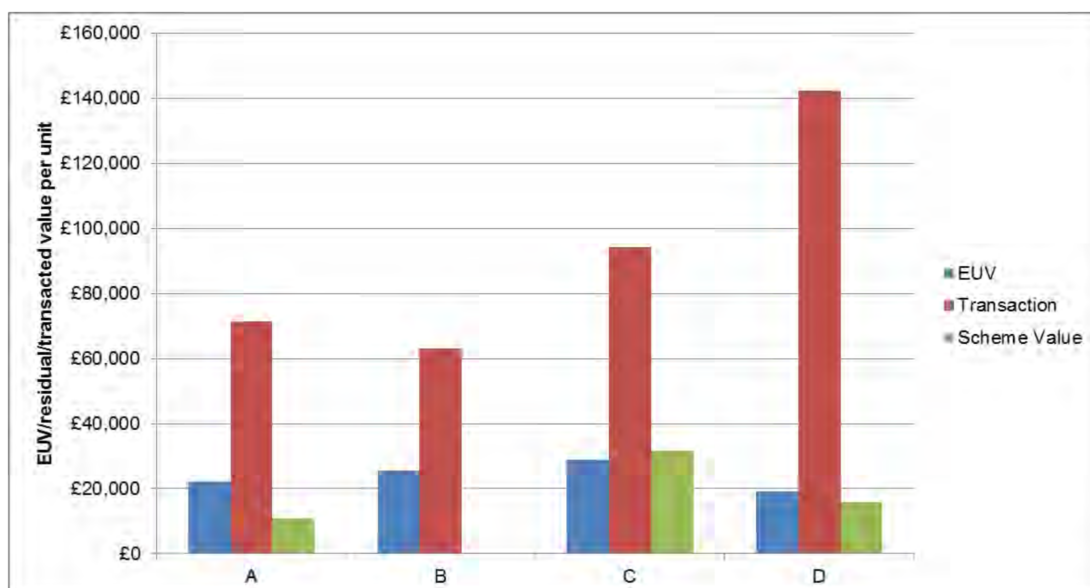
- Historic transactions of housing sites are often based on the receipt of grant funding, which is no longer available in most cases.

- There would be a need to determine whether the developer who built out the comparator sites actually achieved a profit at the equivalent level to the profit adopted in the viability testing. If the developer achieved a sub-optimal level of profit, then any benchmarking using these transactions would produce unreliable and misleading results.

- Developers often build assumptions of growth in sales values into their appraisals, which provides a higher gross development value than would actually be achieved today. Given that our appraisals are based on current values, using prices paid would result in an inconsistent comparison (i.e. current values against the developer's assumed future values). Using these transactions would produce unreliable and misleading results.

3.18 These issues are evident from a recent BNP Paribas Real Estate review of evidence submitted in viability assessments where the differences between the value ascribed to developments by applicants and the amounts the sites were purchased for by the same parties. The prices paid exceeded the value of the consented schemes by between 52% and 18,000%, as shown in Figure 3.18.1. This chart compares the residual value of four central London development proposals to the sites' existing use values and the price which the developers paid to acquire the sites (all the data is on a per unit basis).

Figure 3.18.1: Comparison of scheme residual value to existing use value and price paid for site



3.19 For the reasons set out above, the approach of using current use values is a more reliable indicator of viability than using market values or prices paid for sites, as advocated by certain observers. Our assessment follows this approach, as set out in Section 4.

3.20 The NPPG 2018 indicates that planning authorities should adopt benchmark land values based on existing use values. It then goes on to suggest that the premium above existing use value should be informed by land transactions. This would in effect simply level benchmark land values up to market value, with all the issues associated with this (as outlined above). The NPPG 2018 does temper this approach by indicating that "*the landowner premium should be tested and balanced against emerging policies*" and that "*the premium should provide a reasonable incentive for a land owner to bring forward land for development while allowing a sufficient contribution to comply with policy requirements*". The guidance also stresses in several places that "*price paid for land*" should not be reflected in viability assessments. This would exclude use of transactional data thus addressing the issues highlighted in paragraphs 3.17 and 3.18.

4 Appraisal assumptions

Office development

4.1 We have appraised a series of office development scenarios reflecting the likely average rent levels achieved on lettings of such commercial space in developments throughout the LLDC's area. Our assessment assumes an intensification of the site, based on three current commercial uses of the site, providing a range of current use values. In each case, the existing use value assumes that the existing building is 50% of the size of the new development, with a lower rent and higher yield reflecting the secondary nature of the building.

Commercial rents and yields

4.2 Our research on lettings of commercial floorspace indicates a range of rents achieved, as summarised in Table 4.2.1. This table also includes our assumptions on appropriate yields to arrive at a capital value of the commercial space. New build developments are on the whole likely to attract a premium rent above second hand rents, particularly in such areas of the LLDC's area where commercial development achieves higher rents i.e. Stratford. The rents and yields adopted in our appraisals are summarised in Table 4.2.1 below.

4.3 Our appraisals of office floorspace test the viability of developments on existing commercial sites. For these developments, we have assumed that the site could currently accommodate one of three existing uses (i.e. thereby allowing the site to be assessed in relation to a range of three current use values ('CUVs')) and the development involves the intensification of site. We have assumed lower rents and higher yields for existing space than the planned new floorspace. This reflects the lower quality and lower demand for second hand space, as well as the poorer covenant strength of the likely occupier of second hand space. A modest refurbishment cost is allowed for to reflect costs that would be incurred to secure a letting of the existing space. A 20% landowner premium is added to the resulting existing use value as an incentive for the site to come forward for development. The actual premium would vary between sites, and be determined by site-specific circumstances, so the 20% premium has been adopted as a 'top of range' scenario for testing purposes.

Low-cost business space, affordable and managed workspace

4.4 The LLDC is seeking to secure low-cost business space, affordable and managed workspace in commercial developments through emerging Policy B.4 at sub-market rents. We have accordingly tested such space assuming discounts to market rents of 25% and assuming a higher yield of 1% of market yields on 5% and 10% of the proposed commercial floorspace into perpetuity.

Commercial build costs

4.5 The LLDC have commissioned WT Partnership ('WTP') to advise on build costs for the assessment of their Local Plan viability assessment. WTP provided advice on base build costs as well as the adjustments to the base costs necessary to reflect the LLDC's emerging RLP requirements which were not already included in these base build costs. We have adopted the base build costs and policy extra over costs for office developments as recommend by WT Partnership.

4.6 In addition to the build costs outlined above and set out in Table 4.2.1, our appraisals include a contingency of 5% of build costs. We have also included appropriate allowances for external works and professional fees.

4.7 It is noted that the LLDC's Policy S4 requires non-domestic space within development to achieve BREEAM excellent. An allowance of circa 1% on base build costs is recommended by WT Partnerships to allowed for achieving BREEAM excellent on commercial buildings, based on the 2014 BRE / Sweet Group study.

Profit

4.8 Developer's profit is closely correlated with the perceived risk of development. The greater the risk, the greater the required profit level, which helps to mitigate against the risk, but also to ensure that the potential rewards are sufficiently attractive for a bank and other equity providers to fund a scheme.

4.9 On this basis commercial schemes need to show a risk adjusted profit to secure funding. Profit levels are typically around 20% of developments costs and we have incorporated this assumption into our appraisals.

Residual Section 106 costs

4.10 The extent to which the LLDC will seek Section 106 contributions on commercial floorspace is unclear at this stage as this will be scheme and site specific. Notwithstanding this, we have incorporated a notional £20 per square metre allowance. This figure is considered to be a reasonable proxy for likely sums to be sought after CIL is adopted. It is noted that Section 106 contributions will remain negotiable and in this regard there is scope for these to flex according to viability.

Mayoral CIL

4.11 Mayoral CIL is payable on most developments that receive planning consent from 1 April 2012 onwards. As previously identified the LLDC area currently falls within Zones 2 and 3, where CIL charges of £35 per square metre and £20 per square metre (un-indexed) are levied respectively. The Mayoral CIL takes precedence over "Borough" requirements, including affordable housing and CIL. The CIL Regulations establish a mechanism for inflating CIL on an annual basis using the Building Cost Information Service (BCIS) All-in-Tender Price Index (Regulation 40 (as amended in 2014) "to keep the levy responsive to market conditions" (NPPG Community Infrastructure Levy Para 049).

4.12 The Mayor's draft Charging Schedule for MCIL2 has been submitted and examined in September 2018 and will (if adopted) increase the rate in the LLDC's area to £60 per square metre across the whole area. The proposed Mayoral CIL2 rates are anticipated to be introduced as of 1 April 2019. We have accordingly adopted the higher MCIL2 rates within our assessment.

Table 4.2.1 Office appraisal assumptions

Appraisal input	Source/Commentary	Offices
Total floor area (sq ft)	Scheme	30,000
Rent (£s per sq ft)	Based on average lettings sourced from Costar and property market reports from property companies including BNP Paribas Real Estate, Colliers, Savills, Knight Frank, Cushman and Wakefield, Glenny's etc.	Stratford: £45 per sq ft Rest of Area higher value: £32 per sq ft Rest of Area lower value: £25 per sq ft
Rent free/void period (years)	BNPPRE assumption	2 years
Yield	Knight Frank yield schedule and property company reports as above.	Stratford: 5% Rest of Area higher value: 5.5% Rest of Area lower value: 5.75%
Purchaser's costs (% of GDV)	Stamp duty 5%, plus agent's and legal fees	6.80%
Demolition costs (£s per sq ft of existing space)	Based on experience from individual schemes	£8
Gross to net (net as % of gross)	Based on experience from individual schemes	82%

Appraisal input	Source/Commentary	Offices
Base construction costs (£s per sq m)	WT Partnership	Stratford £2,200 per sq m (to Cat A) Rest of Area £2,157 per sq ft
BREEAM Very Good (% of base build costs)	BREEAM and Sweett Group Research 'Delivering Sustainable Buildings: savings and payback' 2014	1%
External works (% of base build costs)	BNPPRE assumption	10%
Contingency (% of build costs)	BNPPRE assumption	5%
Letting agent's fee	(% of first year's rent)	10%
Agent's fees and legal fees	(% of capital value)	1.75%
Interest rate	BNPPRE assumption	7%
Professional fees (% of build)	BNPPRE assumption, relates to complexity of scheme	10%
Profit (% of costs)	BNPPRE assumption based on schemes submitted for planning	20%

Table 4.2.2 Office appraisal assumptions – current use benchmarks

Appraisal input	Source/Commentary	Offices
Existing floorspace	Assumed to be 50% of new space (N.B. appraisals do not discount existing floorspace)	50%
Rent on existing floorspace (£s per sq ft)	Reflects three types of poor quality second hand space (industrial, office and retail as appropriate), low optimisation of site etc. and ripe for redevelopment.	Stratford - £25 - £30 per sq ft Rest of Area - £9 - £18 per sq ft
Yield on existing floorspace	BNPPRE assumption, reflecting lower covenant strength of potential tenants, poor quality building etc.	Stratford - 5.5% - 5.75% Rest of Area – 6% - 7%
Rent free on existing space	Years	2
Refurbishment costs (£s per sq ft)	General allowance for bringing existing space up to lettable standard	£50
Fees on refurbishment (% of refurb cost)	BNPPRE assumption	7%
Landowner premium	BNPPRE assumption – in reality the premium is likely to be lower, therefore this is a conservative assumption	20%

Co-Living/Shared Living development

4.13 Co-living / Shared living accommodation is defined within the LLDC's Local plan as *"a non-self-contained residential development (demonstrably not C3) which do not meet minimum housing standards; delivered under single management; with tenancies of at least three months; containing on-site, or linked off-site shared communal facilities encouraging shared interaction, above that required for washing and cooking; and which fall outside within the scope of policy H.6 (HMOs). Large-scale shared living is defined by the new London Plan as schemes containing 50 or more non-self-contained units as described above. All proposals for shared living should provide appropriately sized on-site communal services, facilities and amenity space, meet relevant design and management requirements as set out within Policy H18 of the new London Plan. Detailed justification of the ratio of bedroom space to services, facilities and amenity space should also be provided."*

4.14 We have tested Co-Living/Shared Living development consistent with the typology adopted in the Local Plan Viability Study (August 2018), reflecting the values and also size/type of development that has come forward within the LLDC's area. We set details of the scheme tested in Table 4.14.1 below.

Table 4.14.1: Development typology

Use	Units	Type	Site Area	Density (units per HA)
Co Living 19 storey	220	Flats	0.12	1,850

Rents and yields for development

4.15 Our assumptions on rents and yields for co-living / shared living residential accommodation tested in this study is summarised in Table 4.15.1. These assumptions are in line with those adopted in the Local Plan Viability Study (August 2018) and are informed by our research and having undertaken viability assessments of similar schemes delivered or proposed in the LLDC's area and wider London. Our research has also included discussions on the co-living / shared living market with our specialist in-house capital markets team.

Table 4.15.1: Co-Living/Shared Living rents (£s per square metre) and yields

Commercial floorspace	Rent per square metre (sq ft)	Investment yield	Other assumptions: Rent free / void / management etc.
Co-living	Average rent £275 per week	5%	30% management etc.

4.16 We understand that demand for apartments in the developments that have come forward in London to date has been strong. This is driven by the high and ever increasing costs of accommodation in London. This product is seen to provide a good alternative to living in an HMO. Given this position market sentiment is that as more co-living / shared living residential accommodation is delivered and it becomes a more widely understood and standard product, confidence will improve and the market will price this accordingly with yields likely to move in to between PRS and Student Accommodation levels.

Affordable Housing

4.17 Given that the units in such schemes are not appropriate for affordable housing being "non-self-contained" homes "which do not meet minimum housing standards", the LLDC's emerging Policy H.7 Shared living accommodation, seeks to secure financial contributions from such schemes towards the provision of off-site C3 affordable housing, equivalent to 35% of residential units at a discount of 50% from the market rent within the proposal, or via the VTR. In accordance with the new London Plan this can be as a one-off payment or an on-going in perpetuity payment.

Build costs

4.18 The LLDC commissioned WT Partnership ('WTP') to advise on build costs for the assessment of their Local Plan Viability Assessment (August 2018). In addition to the build costs outlined below, adopted in this study, our appraisals include a contingency of 5% of build costs.

Table 4.18.2 Build cost assumptions Co-Living / Shared Living

Cost per sq m £	External works
£3,650 (+ FF+E)	5%

Professional fees

4.19 In addition to base build costs, schemes will incur professional fees, covering design, valuation, highways consultants and so on. Our appraisals incorporate a 10% allowance, which we consider to be reasonable being in the middle of the range for most schemes.

Development finance

4.20 Our appraisals assume that development finance can be secured at a rate of 7%, inclusive of arrangement and exit fees, reflective of current funding conditions.

Mayoral CIL

4.21 As previously identified, the Mayor's draft Charging Schedule for MCIL2 has been submitted and examined in September 2018 and will (if adopted) increase the rate in the LLDC's area to £60 per square metre across the whole area. The proposed Mayoral CIL2 rates are anticipated to be introduced as of 1 April 2019. We have accordingly adopted the higher MCIL2 rates within our assessment.

Section 106 costs

4.22 To account for residual Section 106 requirements, we have included an allowance of £1,000 per unit for residential uses and £20 per sq m for commercial uses. We consider this allowance to be a reasonable assumption based on elements that the LLDC would seek S106 towards from such schemes. However, we note that the actual amount will be negotiated on a site-by-site basis when schemes are brought forward through the development management process and consequently are likely vary.

Developer's profit

4.23 As previously identified, developer's profit is closely correlated with the perceived risk of residential development. The greater the risk, the greater the required profit level, which helps to mitigate against the risk, but also to ensure that the potential rewards are sufficiently attractive for a bank and other equity providers to fund a scheme. Given the nature of co-living schemes we have allowed for profit levels of 15% on GDV for testing purposes, which we consider to be a conservative assumption for such schemes.

Exceptional costs

4.24 Exceptional costs can be an issue for development viability on previously developed land. These costs relate to works that are 'atypical', such as remediation of sites in former industrial use and that are over and above standard build costs. However, in the absence of detailed site investigations, it is not possible to provide a reliable estimate of what exceptional costs might be. Our analysis therefore excludes exceptional costs, as to apply a blanket allowance would generate misleading results. An 'average' level of costs for abnormal ground conditions and some other 'abnormal' costs is already reflected in BCIS data, as such costs are frequently encountered on sites that form the basis of the BCIS data sample.

4.25 It is expected however, that when purchasing previously developed sites developers will have undertaken reasonable levels of due diligence and would therefore have reflected obvious remediation costs/suitable contingencies into their purchase price.

Benchmark land values

4.26 Benchmark land values, based on the existing use value or alternative use value of sites are key considerations in the assessment of development economics for testing planning policies and tariffs. Clearly, there is a point where the Residual Land Value (what the landowner receives from a developer) that results from a scheme may be less than the land's existing use value. Existing use values can vary significantly, depending on the demand for the type of building relative to other areas. Similarly, subject to planning permission, the potential development site may be capable of being used in different ways – as a hotel rather than residential for example; or at least a different mix of uses. Existing use value or alternative use value are effectively the 'bottom line' in a financial sense and therefore a key factor in this study.

4.27 We have arrived at a broad judgement on the likely range of benchmark land values. On previously developed sites, the calculations assume that the landowner has made a judgement that the current use does not yield an optimum use of the site; for example, it has fewer storeys than neighbouring buildings; or there is a general lack of demand for the type of space, resulting in low rentals, high yields and high vacancies (or in some cases no occupation at all over a lengthy period). We would not expect a building which makes optimum use of a site and that is attracting a reasonable rent to come forward for development, as residual value may not exceed current use value in these circumstances.

4.28 The four benchmark land values used in this study (see Table 4.28.1 below) have been selected to provide a broad indication of likely land values across the LLDC's area, but it is important to recognise that other site uses and values may exist on the ground. There can never be a single threshold land value at which we can say definitively that land will come forward for development, especially in urban areas.

4.29 It is also necessary to recognise that a landowner will require an additional incentive to release the site for development[9]. The premium above current use value would be reflective of specific site circumstances (the primary factors being the occupancy level and strength of demand from alternative occupiers). For policy testing purposes it is not possible to reflect the circumstances of each individual site, so a blanket assumption of a 20% premium has been adopted to reflect the 'average' situation.

4.30 Redevelopment proposals that generate residual land values below existing use values are unlikely to be delivered. While any such thresholds are only a guide in 'normal' development circumstances, it does not imply that individual landowners, in particular financial circumstances, will not bring sites forward at a lower return or indeed require a higher return. If proven existing use value justifies a higher benchmark than those assumed, then appropriate adjustments may be necessary. As such, existing use values should be regarded as benchmarks rather than definitive fixed variables on a site by site basis.

Benchmark land values

4.31 **Benchmark Land Value 1**: This benchmark assumes higher value secondary office space on a hectare of land, with 40% site coverage and 4 storeys. The rent assumed is based on lettings of second hand offices in the area at £14 per square foot. We have assumed a £50 per square foot allowance for refurbishment and a letting void of two years. The capital value of the building would be £21.477 million, to which we have added a 20% premium, resulting in a benchmark of £25.773 million.

4.32 **Benchmark Land Value 2**: This benchmark assumes lower value secondary office space on a hectare of land, with 40% site coverage and 4 storeys. The rent assumed is based on lettings of second hand offices in the area at £11 per square foot. We have assumed a £50 per square foot allowance for refurbishment and a letting void of two years. The capital value of the building would be

[9] This approach is therefore consistent with the National Planning Policy Framework, which indicates that development should provide "competitive returns" to landowners. A 20% return above current use value is a competitive return when compared to other forms of investment.

£15.031 million, to which we have added a 20% premium, resulting in a benchmark of £18.037 million.

4.33 **Benchmark Land Value 3**: This benchmark assumes secondary industrial/storage/ distribution space on a hectare of land, with 60% site coverage and 1.5 storeys. The rent assumed is based on such lettings of second hand premises in the area at £9 per square foot. We have assumed a £30 per square foot allowance for refurbishment and a letting void of two years. The capital value of the building would be £7.973 million, to which we have added a 20% premium, resulting in a benchmark of £9.567 million.

4.34 **Benchmark Land Value 4:** This benchmark assumes an open storage use on a hectare of land, with 90% site coverage. The rent assumed is based on lettings of such space in the area at £2.50 per square foot. We have assumed a letting void of one year. The capital value of the land would be £3.234 million, to which we have added a 20% premium, resulting in a benchmark of £3.880 million.

Table 4.28.1: Summary of Benchmark Land Values

Use	Benchmark per gross hectare
Benchmark Land Value 1 - Secondary Offices (higher)	£25,773,000
Benchmark Land Value 2 - Secondary Offices (lower)	£18,037,000
Benchmark Land Value 3 - Secondary industrial/storage/distribution space	£9,567,000
Benchmark Land Value 4 – Open storage land	£3,880,000

5 Appraisal outputs

Office appraisals

5.1 Our research on rents achieved on commercial lettings indicates a range of rents. Our office appraisals therefore model base position and test the range of rates (higher and lower than the base level) and changes to yields. This enables us to draw conclusions on maximum potential rates of CIL. We have run appraisals of a quantum of floorspace, each with rent levels reflecting the range identified by our research.

5.2 The appraisals include a 'base' rent level, with sensitivity analyses which model rents above and below the base level (an illustration is provided in Chart 5.2.1). The maximum CIL rates are then shown per square metre, against three different current use values (see Charts 5.2.2 and 5.2.3). Chart 5.2.2 provides an **illustration** of the outputs in numerical format, while Chart 5.2.3 shows the data in graph format. In this example, the scheme could viably absorb a CIL of between £0 and £275 per square metre, depending on the current use value. The analysis demonstrates the significant impact of very small changes in yields (see appraisals 4 and 6, which vary the yield by 0.25% up or down) on the viable levels of CIL.

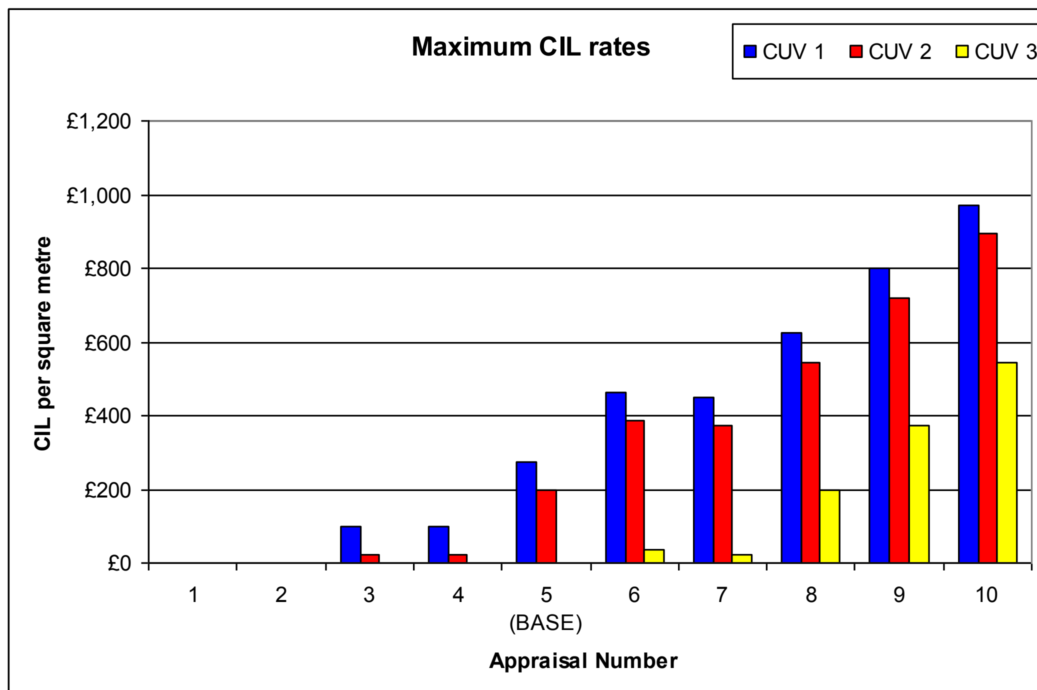
Chart 5.2.1: Illustration of sensitivity analyses

	£s per sq ft	Yield	Rent free
Appraisal 1	£21.00	6.50%	2.00 years
Appraisal 2	£22.00	6.50%	2.00 years
Appraisal 3	£23.00	6.50%	2.00 years
Appraisal 4	£24.00	6.75%	2.00 years
Appraisal 5 (base)	**£24.00**	**6.50%**	**2.00 years**
Appraisal 6	£24.00	6.25%	2.00 years
Appraisal 7	£25.00	6.50%	2.00 years
Appraisal 8	£26.00	6.50%	2.00 years
Appraisal 9	£27.00	6.50%	2.00 years
Appraisal 10	£28.00	6.50%	2.00 years

Chart 5.2.2: Maximum CIL rates – numerical format

	Change in rent from base	CUV 1	CUV 2	CUV 3
Appraisal 1	-14%	£0	£0	£0
Appraisal 2	-9%	£0	£0	£0
Appraisal 3	-4%	£100	£23	£0
Appraisal 4	0%	£99	£21	£0
Appraisal 5 (base)	**-**	**£275**	**£197**	**£0**
Appraisal 6	0%	£465	£387	£38
Appraisal 7	4%	£449	£371	£23
Appraisal 8	8%	£624	£546	£197
Appraisal 9	11%	£798	£720	£371
Appraisal 10	14%	£972	£894	£546

Chart 5.2.3: Maximum CIL rates – graph format



Shared-living / Co-living appraisals

5.3 The full outputs from our appraisals of co-living / shared-living development in the LLDC's area are attached as **Appendix 2**.

Scenarios tested

5.4 The purpose of the exercise is to test whether the rate of CIL can be levied on this new residential housing product in the LLDC's CIL Charging Schedule. We have therefore tested a co-living / shared-living development typology with 35% to 20% affordable housing to reflect the range of affordable housing required by the LLDC's policies. We set out below the scenarios tested:

1. Policy position with base sales values and base costs (including extra overs for planning policy requirements);
- 35% affordable housing:
  Current costs and values:
  - AH @ 50% DMR;

2. As (1) above with 30%, 25% and 20% affordable housing;
3. As (1) above with 10% increase in sales values and 5% increase in build costs; and
4. As (1) above with 5% fall in sales values.

5.5 CIL applies to net additional floor area only. Our appraisals assume no deduction for existing floorspace, thereby providing the worst case scenario[10].

[10] Existing buildings must be occupied for their lawful use for at least six months in the three years prior to grant of planning permission to qualify as existing floorspace for the purposes of calculating CIL liability.

5.6 The residual land values from each of the scenarios above are then compared to the benchmark land value based on the assumptions set out in paragraphs 4.40 to 4.43. This comparison enables us to determine whether the imposition of a CIL charge would have an impact on development viability. In some cases, the equation RLV less BLV results in a negative number, so the development would not proceed, whether CIL was imposed or not. We therefore focus on situations where the RLV is greater than BLV and where (all other things being equal) the development would proceed. In these situations, CIL has the potential to 'tip the balance' of viability into a negative position.

5.7 The results for each site type are presented in tables showing the CIL rate and the corresponding RLV (which is then converted into a RLV per hectare). The RLV per hectare is then compared to the four benchmark land values, which are also expressed as a per hectare value. Where the RLV exceeds the benchmark, the amount of CIL entered into the appraisal is considered viable.

5.8 A sample of the format of the results is provided in Figure 5.8.1 below.

Figure 5.8.1: Sample format of residential results

Community Infrastructure Levy
London Legacy Development Corporation

Benchmark Land Values (per gross ha)

BLV1	BLV2	BLV3	BLV4
Benchmark Land Value 1 - Secondary Offices (higher)	Benchmark Land Value 2 - Secondary Offices (lower)	Benchmark Land Value 3 - Secondary industrial/storage/distribution space	Benchmark Land Value 4 – Open storage land
£25,773,000	£18,037,000	£9,567,000	£3,880,000

Co-living / shared-living

	Flats
No of units	250 units
Density	1833 dph

Affordable %	30%
% Social Rent	0%
% Lon Affordable Ren	0%
% Lon Living Rent	0%
% Discount MR (50%)	100%
Private values	£12752 psm

Site area	0.1364 ha
Net to gross	100%

Growth

Sales	0%
Build	0%

Co-living

CIL amount per sq m	RLV	RLV per ha	RLV less BLV 1	RLV less BLV 2	RLV less BLV 3	RLV less BLV 4
0	2,823,759	20,703,798	-5,069,202	2,666,798	11,136,798	16,823,798
80	2,374,400	17,409,099	-8,363,901	-627,901	7,842,099	13,529,099
110	2,224,321	16,308,719	-9,464,281	-1,728,281	6,741,719	12,428,719
134	2,104,633	15,431,166	-10,341,834	-2,605,834	5,864,166	11,551,166
150	2,024,003	14,839,991	-10,933,009	-3,197,009	5,272,991	10,959,991
175	1,898,805	13,922,040	-11,850,960	-4,114,960	4,355,040	10,042,040
200	1,773,606	13,004,082	-12,768,918	-5,032,918	3,437,082	9,124,082
225	1,648,408	12,086,131	-13,686,869	-5,950,869	2,519,131	8,206,131
250	1,523,210	11,168,173	-14,604,827	-6,868,827	1,601,173	7,288,173
275	1,398,012	10,250,222	-15,522,778	-7,786,778	683,222	6,370,222
300	1,272,814	9,332,272	-16,440,728	-8,704,728	-234,728	5,452,272
325	1,147,615	8,414,314	-17,358,686	-9,622,686	-1,152,686	4,534,314
350	1,022,417	7,496,363	-18,276,637	-10,540,637	-2,070,637	3,616,363
375	897,219	6,578,412	-19,194,588	-11,458,588	-2,988,588	2,698,412
400	772,020	5,660,454	-20,112,546	-12,376,546	-3,906,546	1,780,454
425	646,823	4,742,503	-21,030,497	-13,294,497	-4,824,497	862,503

Maximum CIL rates (per square metre)

BLV1	BLV2	BLV3	BLV4
#N/A	£0	£275	£425

6 Assessment of the results

6.1 This section should be read in conjunction with the full results attached at Appendix 1 (office appraisal results) and Appendix 2 (Co-living / shared living appraisal results). In these results, the residual land values are calculated for scenarios with sales values and capital values reflective of market conditions across the LLDC's area. These RLVs are then compared to appropriate benchmark land values.

6.2 The CIL regulations state that in setting a charge, local authorities must "strike an appropriate balance" between revenue maximisation on the one hand and the potentially adverse impact of CIL upon the viability of development across the whole area on the other. Our recommendations are that:

- Firstly, charging authorities should take a strategic view of viability. There will always be variations in viability between individual sites, but viability testing should establish the most typical viability position; not the exceptional situations.
- Secondly, charging authorities should take a balanced view of viability – residual valuations are just one factor influencing a developer's decision making – the same applies to local authorities.
- Thirdly, while a single charge is attractive, it may not be appropriate for all authorities, particularly in areas where sales values vary between areas.
- Fourthly, markets are cyclical and subject to change over short periods of time. Sensitivity testing to sensitivity test levels of CIL to ensure they are robust in the event that market conditions improve over the life of a Charging Schedule is essential.
- Fifthly, local authorities should not set their rates of CIL at the limits of viability. They should leave a margin or contingency to allow for change and site specific viability issues.

6.3 CIL rates should not necessarily be determined solely by viability evidence, but should not be logically contrary to the evidence. Charging authorities should not follow a mechanistic process when setting rates – appraisals are just a guide to viability and are widely understood to be a less than precise tool.

6.4 This conclusion follows guidance in paragraph: 019 of the CIL Guidance set out in the NPPG, which states that *'there is no requirement for a proposed rate to exactly mirror the evidence… There is room for some pragmatism.'* The LLDC should not follow a mechanistic process when setting rates – appraisals are just a guide to viability and are widely understood to be a less than precise tool. Further, Paragraph: 021 of the NPPG identifies that, *'Charging authorities that plan to set differential levy rates should seek to avoid undue complexity.'*

6.5 In assessing the results, it is important to clearly distinguish between two scenarios; namely, schemes that are unviable *regardless of the LLDC's policy requirements, including the level of CIL* (including a nil rate) and schemes that are viable *prior* to the imposition of policy requirements. If a scheme is unviable before policy requirements and CIL are levied, it is unlikely to come forward and policy requirements and CIL would not be a factor that comes into play in the developer's/landowner's decision making. The unviable schemes will only become viable following an increase in values and sites would remain in their existing use.

Assessment – office development

6.6 The office market in Stratford has matured significantly over the last five years since the last CIL Viability Study was prepared in 2012. We understand from discussions with active local agents that the office space in Stratford is successfully competing for tenants with other established office areas in London. For example, tenants have taken space in Stratford who were either previously in or looking to rent space in Canary Wharf.

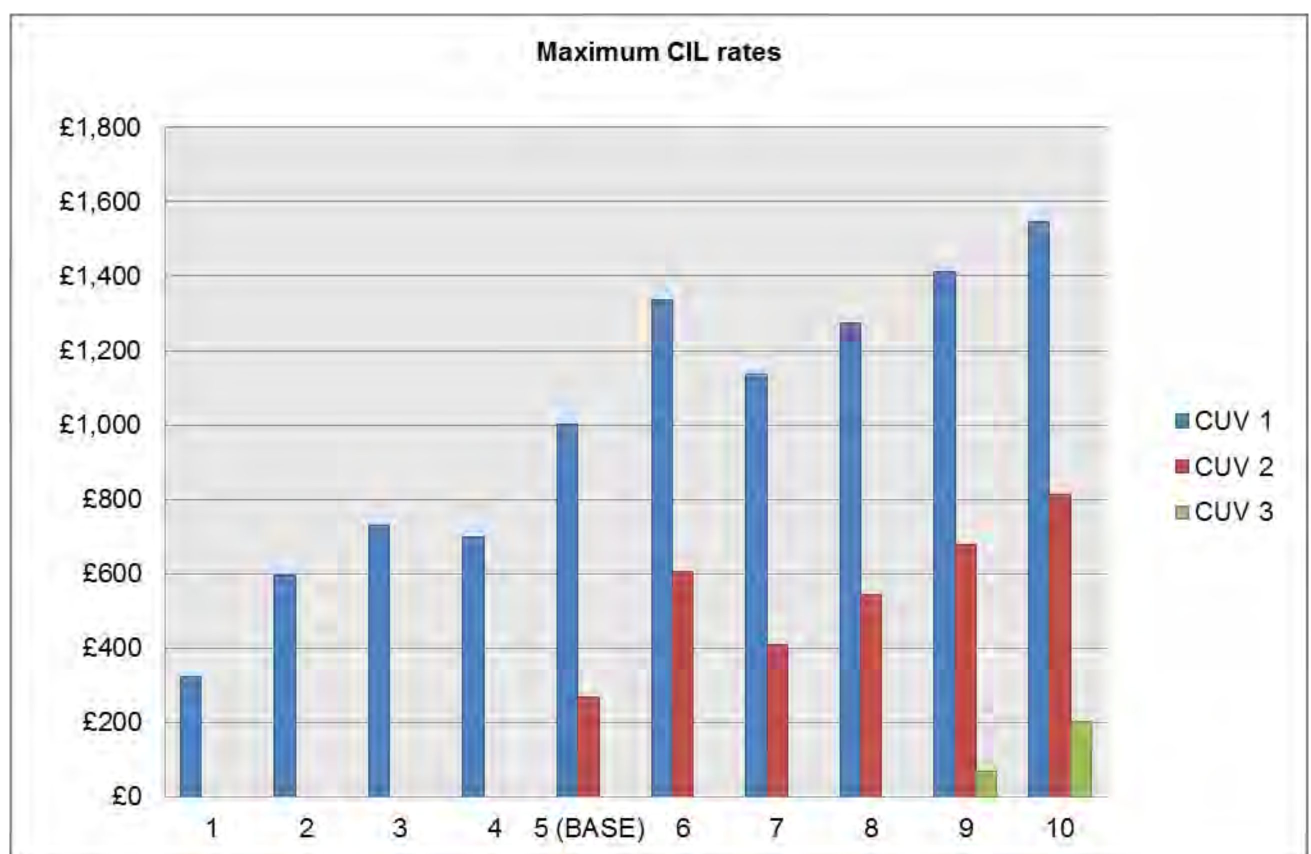
6.7 The majority of future office development is to be located within Stratford, which is envisaged as becoming a Metropolitan Centre with potential for an international role. This ambition is already progressing well with agents considering that demand for commercial space in this location is likely to continue to grow given the area's excellent transport links. There is a considerable amount of consented commercial floorspace that has been built out and we understand that there remains a fair amount more in the pipeline still to be delivered.

6.8 Our research into Offices in the LLDC's area (using online databases such as EGi, CoStar Suite and Promis as well as discussions with local agents) indicates that rents have increased and yields moved in since the last charging schedule was examined. The highest rental levels are as expected achieved in Stratford at circa £45 per square foot. Outside the Stratford area rents achieved on new office space range between £32 per square foot and £25 per sq ft. (See **Appendix 1** for our appraisals).

6.9 Our appraisals include an allowance for 10% of the floorspace to be delivered as affordable workspace as required by the LLDC's emerging RLP. We have applied a rent at 50% of the market rent and a higher yield of 6%.

6.10 The results of our appraisals for office developments in the Stratford area indicate that a maximum CIL rate of between £0 and £1,003 per square metre could be levied, depending on the value of the existing use of the site (see Chart 6.10.1 and Appendix 1). Given this we recommend that the LLD considers a CIL rate of £123.17 per square metre.

Chart 6.10.1: Office development in Stratford



6.11 The results of our appraisals indicate that the viability of office developments in the rest of the LLDC's area is likely to be challenging, unless they are the subject of a pre-let or rents increase and yields harden significantly over the life of the Charging Schedule. Given this position we would recommend that the LLDC considers adopting a nil or nominal CIL rate on such uses.

Co-living / shared-living developments

6.12 Housing products on the market are constantly changing. Co-living/Shared living is a new format of purpose built residential accommodation being delivered in London for which a scheme has already come forward in the LLDC's area. When the LLDC's charging schedule was adopted in 2015, co-living (as defined in the Draft New London Plan 2018 and the LLDC's emerging RLP) was not a product on the market. In the intervening years this product has come to market and development has taken place in a number of boroughs, with more developments of this type expected to come forward.

6.13 Co-living/Shared living accommodation is defined within the LLDC's emerging RLP as non-self-contained residential development (demonstrably not C3) which does not meet minimum housing standards; delivered under single management; with tenancies of at least three months; containing on-site, or linked off-site shared communal facilities encouraging shared interaction, above that required for washing and cooking; and which fall outside the scope of policies governing Houses of Multiple Occupation. Large-scale shared living is defined by the new London Plan as schemes containing 50 or more non-self-contained units as described above. This type of development is more akin to student accommodation than PRS/BTR schemes.

6.14 The current adopted LLDC charging schedule captures C3 residential and student housing within charges but given that co-living / shared-living uses are classified as Sui Generis. Given this position, the LLDC is unable to seek contributions on such schemes towards the infrastructure to support them thought the adopted Charging Schedule. The LLDC considers it to be important that such schemes contribute as these developments present a potential to impact on infrastructure within the areas that they are built.

6.15 The LLDC's emerging Policy H.7 Shared living accommodation, seeks to secure financial contributions towards affordable housing from such schemes. As noted in Section 5.4, we have tested such schemes with 35%-20% affordable housing. The full results, showing the residual land values for each scenario tested compared to an existing use value, are attached at **Appendix 2**. We highlight that not all schemes will be viable at any given level of affordable housing, particularly in complex urban areas such as the LLDC. As noted in paragraph 6.8, where a scheme is unviable the imposition of CIL at a zero level will not make the scheme viable. Other factors (i.e. sales values, build costs or benchmark land values) would need to change to make the scheme viable. For the purposes of establishing a maximum viable rate of CIL, we have had regard to the development scenarios that are currently viable and that might, therefore, be affected by a CIL requirement. We would highlight that the rates identified in appendices 2, 3 and 4 are inclusive of the MCIL2 (£60 per sq m).

6.16 The results of our testing of such schemes including allowances for the contribution towards affordable housing, as required by the LLDC's merging policy on such uses, identifies that such schemes should be able to absorb a CIL rate of £73.90 per square metre in line with the current charge levied on all other C3 residential developments in the LLDC's area (see **Appendix 2**).

Sensitivity analysis: growth in values and increases in build costs

6.17 As noted in Section 5, we have re-run our appraisals to test the impact that growth in sales values alongside inflation on costs might have on scheme viability and the consequential impacts on how increased levels of CIL might be absorbed by developments.

6.18 We have run a sensitivity analyses, assuming 10% growth in sales values alongside cost inflation of 5%. See **Appendix 3** for the results of this sensitivity analyses. In some cases, there is no change, but in others the maximum CIL rate would increase as values increase. However, we would caution against attaching significant weight to these results as the future trajectory of house prices is inherently uncertain.

6.19 It is also worth noting that given the predicted improvement in the market in the medium term, there may be potential for developer's return/profits to reduce in future to the levels that were starting to be seen prior to the result of the EU Referendum vote. This would further improve viability, as would the ability for S106 developments to secure grant funding for affordable housing.

All other uses development

6.20 Given the LLDC's excellent accessibility via public transport and legacy status, the area has seen significant interest in the delivery of new products or one off/unique developments such as large entertainment, educational, cultural and sporting venues.

6.21 Such development proposals have a high impact on the infrastructure capacity within the LLDC's area. Currently the LLDC does not charge CIL on any uses other than those specified in the charging schedule. The LLDC has identified that there are a significant number and quantum of developments coming forward in its area in future which will require infrastructure to support them for which they are unable to secure any financial contributions towards through CIL or S106. In particular large entertainment uses etc. Such uses are difficult to viability test with certainty as every scheme and use will be different. To this end, should the LLDC wish to do so, they would be able to set a nominal rate of CIL on all other uses of say £20 per square metre.

6.22 A nominal rate is unlikely to be a significant factor in developers' decision making, typically accounting for no more than say 1% of development costs, and therefore could be absorbed without having a significant impact on viability across the area. This would however provide much needed funding towards necessary supporting infrastructure. As already identified in its current charging schedule, we recommend that the LLDC excludes uses such as healthcare and education from this category. The LLDC might also wish to consider whether it should extend the exclusions from all other uses rate to Affordable Workspace as well.

6.23 Should the Council not wish to proceed with a nominal rate on all other uses, a nil rate would apply by default unless a rate has been explicitly set. The uses include all use classes not mentioned above as well as those which are advised to set a nil or nominal rate.

7 Conclusions and recommendations

7.1 The NPPF (2018) states that "*Plans should set out the contributions expected in association with particular sites and types of development. This should include setting out the levels and types of affordable housing provision required, along with other infrastructure (such as that needed for education, health, transport, green and digital infrastructure). Such policies should not undermine the delivery of the plan*". The LLDC adopted its CIL Charging Schedule in April 2015. The CIL rates are consequently embedded into both the planning requirements and the land market, however, no rate is currently charged on offices within the Stratford area, which has matured significantly over the last five years (since the LLDC's viability testing for the adopted schedule was undertaken in 2013/14) or for the new housing format of Shared Living / Co-Living which are Sui Generis. This report accordingly reviews the Office CIL rates in the LLDC's adopted Charging Schedule and considers an appropriate rate for the Shared Living / Co-Living which is currently not considered by the LLDC's existing Charging Schedule.

7.2 The study takes account of the cumulative impact of the LLDC's current planning requirements, in line with the requirements of the NPPF and the Local Housing Delivery Group guidance 'Viability Testing Local Plans: Advice for planning practitioners'. In addition, we have reflected the impact of the emerging Mayoral CIL2.

Key findings and suggested revisions to CIL rates

Office

7.3 The majority of the office development is to be located within Stratford, which is envisaged as becoming a Metropolitan Centre with potential for an international role. This ambition is already progressing well with agents considering that demand for commercial space in this location is likely to continue to grow given the area's excellent transport links. We understand that the office market has matured with space already competing with areas such as Canary Wharf where tenants have been secured who were either previously in or looking to rent space in Canary Wharf. There is a considerable amount of consented commercial floorspace that has been built out and we understand that there remains a fair amount more in the pipeline still to be delivered. Our research into Offices in the LLDC's area has identified that rents for space in the Stratford area have risen significantly since the last charging schedule's viability study was undertaken and yields have sharpened improving the viability of such schemed substantially.

7.4 The results of our appraisals for offices in the Stratford area indicate that developments of such uses would be able to absorb a CIL rate of £123.17 per square metre (see **Appendix 1**). This would amount to circa 2% of development costs.

Co-Living/Shared Living

7.5 Co-living/Shared living is a new format of purpose built residential accommodation being delivered in London for which a scheme has already come forward in the LLDC's area. Such development is defined within the LLDC's emerging RLP as *"non-self-contained residential development (demonstrably not C3) which does not meet minimum housing standards; delivered under single management; with tenancies of at least three months; containing on-site, or linked off-site shared communal facilities encouraging shared interaction, above that required for washing and cooking; and which fall outside the scope of policies governing Houses of Multiple Occupation. Large-scale shared living is defined by the new London Plan as schemes containing 50 or more non-self-contained units".*

7.6 Given the above such uses are classified as Sui Generis and the LLDC is unable to seek contributions towards CIL, however such uses will understandably require infrastructure to support them, particularly in light of the dense nature of such accommodation.

7.7 The results of our testing of such schemes including allowances for the contribution towards affordable housing, as required by the LLDC's merging policy on such uses, identifies that such schemes should be able to absorb a CIL rate of £73.90 per square metre (see **Appendix 2**). This level of charge equates to circa 1.1% of development value.

7.8 In considering the outputs of the appraisals, it is important to recognise that some developments will be

unviable *regardless* of the LLDC's requirements. In these cases, the value of the existing building or the base costs (excluding policy requirements) will be higher than a redevelopment opportunity over the medium term. However, this situation should not be taken as an indication of the viability (or otherwise) of the LLDC's policies and requirements. In these situations, there will be little pressure from owners to redevelop for residential use and they might re-consider the situation when values change over time.

All other uses

7.9 Currently the LLDC does not charge CIL on any uses other than those specified in the charging schedule. The LLDC has identified that there are a significant number and quantum of developments coming forward in its area in future which will require infrastructure to support them for which they are unable to secure any financial contributions towards through CIL or S106. In particular large entertainment uses etc. Such uses are difficult to viability test with certainty as every scheme and use will be different. To this end, should the LLDC wish to do so, they would be able to set a nominal rate of CIL on all other uses of say £20 per square metre. A nominal rate is unlikely to be a significant factor in developers' decision making, typically accounting for no more than say 1% of development costs, and therefore could be absorbed without having a significant impact on viability across the area. This would however provide much needed funding towards necessary supporting infrastructure. As already identified in its current charging schedule, we recommend that the LLDC excludes uses such as healthcare and education from this category. The LLDC might also wish to consider whether it should extend the exclusions from all other uses rate to Affordable Workspace as well.

7.10 Should the LLDC not wish to proceed with a nominal rate on all other uses, a nil rate would apply by default unless a rate has been explicitly set.

7.11 Table 7.11.1 below summarises the potential revisions to the CIL Charging Schedule in light of the results of the updated viability evidence. The table also sets out the adopted Charging Schedule rates and the corresponding 2018 indexed figures (calculated as per the requirements of CIL Regulation 40 (as amended)).

Table 7.11.1: Adopted CIL Charges (including indexation) and Suggested rates for LLDC's Updated CIL Charging Schedule

Use	Adopted Charging Rate *(2018 Indexed Rate)* (£ per square metre)	Suggested Updated Rate (£ per square metre)
Residential	£60 *(£73.90)*	£73.90
Shared-Living / Co-Living	Nil	£73.90
Student Accommodation	£100 *(£123.17)*	£123.17
Convenience supermarkets and superstores and retail warehouses (over 1000 sq m)	£100 *(£123.17)*	£123.17
Offices in 'Stratford Office Area'	Nil	£123.17
Hotels	£100 *(£123.17)*	£123.17
Comparison and all other retail (A1-A5) in 'Stratford Retail Area'	£100 *(£123.17)*	£123.17
Comparison and all other retail (A1- A5) outside 'Stratford Retail Area'	Nil	Remove category as included within all other uses
All other uses except education and healthcare and Affordable Workspace	Nil	£20
Education, Healthcare and Affordable Workspace	Nil	Consider removing category as already omitted from "all other uses category"

Appendix 1 - Office appraisal results

COMMUNITY INFRASTRUCTURE LEVY
Commercial Development

Use class:	Office & 10% Aff Workspace
Location:	Stratford

	£s per sqft	Yield	Rent free
Appraisal 1	£40.00	5.00%	2.00 years
Appraisal 2	£42.00	5.00%	2.00 years
Appraisal 3	£43.00	5.00%	2.00 years
Appraisal 4	£45.00	5.25%	2.00 years
Appraisal 5 (base)	**£45.00**	**5.00%**	**2.00 years**
Appraisal 6	£45.00	4.75%	2.00 years
Appraisal 7	£46.00	5.00%	2.00 years
Appraisal 8	£47.00	5.00%	2.00 years
Appraisal 9	£48.00	5.00%	2.00 years
Appraisal 10	£49.00	5.00%	2.00 years

Existing floorspace as % of new
50%

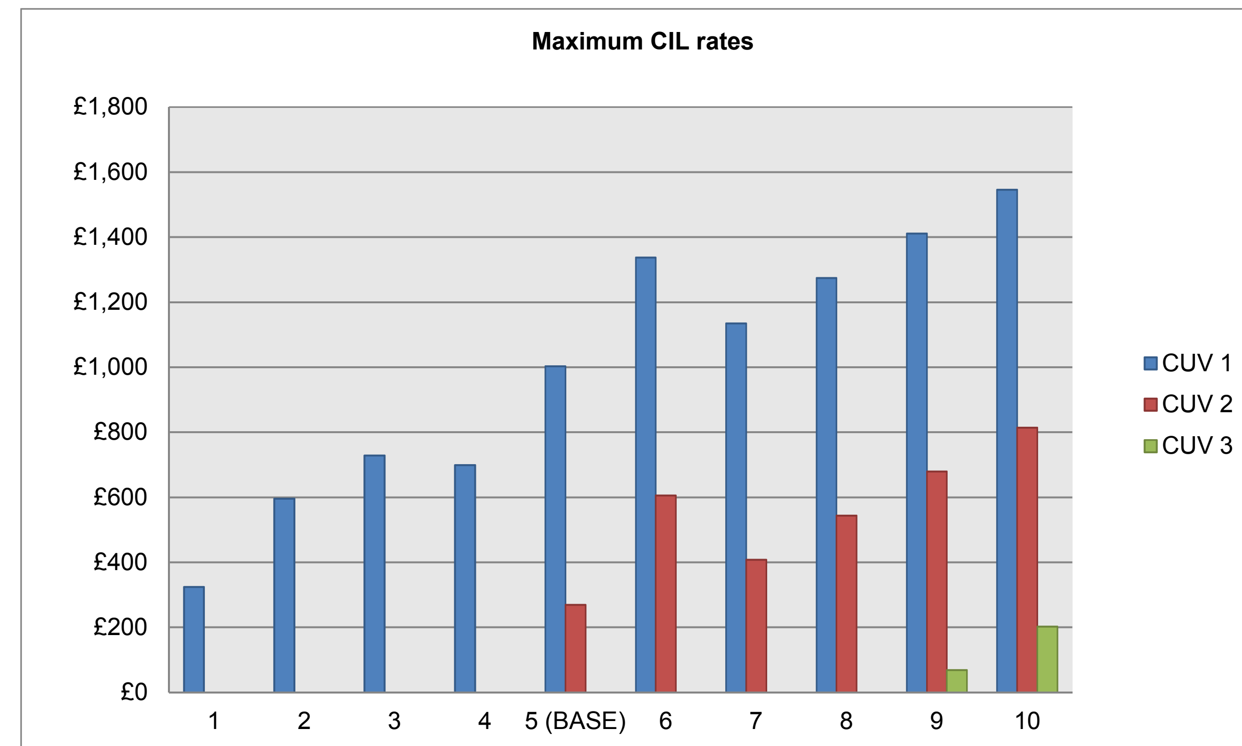
Net off existing floorspace from CIL calculation: n

Ctrl + y to goal seek max CIL

	£s per sqft	Yield	Rent free	Premium
Current use value 1	£18.00	6.00%	2.00 years	20.00%
Current use value 2	£25.00	5.75%	2.00 years	20.00%
Current use value 3	£30.00	5.50%	2.00 years	20.00%

Results - Maximum CIL rates per square metre

	Change in rent from base	CUV 1	CUV 2	CUV 3
Appraisal 1	-13%	£324	£0	£0
Appraisal 2	-7%	£595	£0	£0
Appraisal 3	-5%	£729	£0	£0
Appraisal 4	0%	£699	£0	£0
Appraisal 5 (base)	**-**	**£1,003**	**£269**	**£0**
Appraisal 6	0%	£1,337	£606	£0
Appraisal 7	2%	£1,135	£408	£0
Appraisal 8	4%	£1,274	£544	£0
Appraisal 9	6%	£1,411	£679	£68
Appraisal 10	8%	£1,546	£814	£202



DEVELOPMENT APPRAISAL

Commercial Development

Use class:	Office & 10% Aff Workspace
Location:	Stratford

DEVELOPMENT VALUE	**Common assumptions**		Appraisal 1		Appraisal 2		Appraisal 3		Appraisal 4		Appraisal 5	
Rental Income	Floor area		£ psf	£ per annum	£ psf	£ per annum	£ psf	£ per annum	£ psf	£ per annum	£ psf	£ per annum
Market Rent	27,000		£40.00	£1,080,000	£42	£1,134,000	£43.00	£1,161,000	£45.00	£1,215,000	£45.00	£1,215,000
Affordable Workspace Rent	3,000		£30.00	£90,000	£32	£94,500	£32.25	£96,750	£33.75	£101,250	£33.75	£101,250
Market Rent			£40.00	£0	£42	£0	£43.00	£0	£45.00	£0	£45.00	£0
Total floor area / rent		30,000		£1,170,000		£1,228,500		£1,257,750		£1,316,250		£1,316,250
Rent free/voids (years)			2.0	0.9070	2.0	0.9070	2.0	0.9070	2.0	0.9027	2.0	0.9070
Yield (NB AW @ 6%)			5.00%		5.00%		5.00%		5.25%		5.00%	
Capitalised rent				£20,952,381		£22,000,000		£22,523,810		£22,415,001		£23,571,429
GROSS DEVELOPMENT VALUE												
Purchaser's costs	6.80%			£1,424,762		£1,496,000		£1,531,619		£1,524,220		£1,602,857
				£19,527,619		**£20,504,000**		**£20,992,190**		**£20,890,781**		**£21,968,571**
DEVELOPMENT COSTS												
Land costs				£7,858,169		£7,858,169		£7,858,169		£7,858,169		£7,858,169
Stamp duty and acquisition costs				-£534,356		-£534,356		-£534,356		-£534,356		-£534,356
Development Costs												
Existing floor area	50%	15,000										
Demolition costs	£14 psf			£209,030		£209,030		£209,030		£209,030		£209,030
Building costs	£214 psf			£7,817,386		£7,817,386		£7,817,386		£7,817,386		£7,817,386
Area	82% grs to net	36,585										
External works & BREEAM	11.00%			£859,912		£859,912		£859,912		£859,912		£859,912
Professional fees	10.00%			£888,633		£888,633		£888,633		£888,633		£888,633
Contingency	5.00%			£488,748		£488,748		£488,748		£488,748		£488,748
Residual S106 & Mayoral CIL	£8 psf			£227,224		£227,224		£227,224		£227,224		£227,224
CIL	£s psf	30,000	-£95	-£2,849,822	-£69	-£2,079,165	-£57	-£1,699,653	-£60	-£1,785,480	-£31	-£944,052
Disposal Costs												
Letting Agent's fee (% of rent)	10.00%			£117,000		£122,850		£125,775		£131,625		£131,625
Agent's fees (on capital value)	1.00%			£209,524		£220,000		£225,238		£224,150		£235,714
Legal fees (% of capital value)	0.75%			£157,143		£157,143		£157,143		£157,143		£157,143
Finance												
Loan arrangement fee				£0		£0		£0		£0		£0
Interest rate	7.00%											
Interest	18 months			£811,051		£852,368		£872,721		£868,465		£913,247
Profit on cost				£3,267,977		£3,416,057		£3,496,220		£3,480,131		£3,660,147
Profit on cost (%)				**20.10%**		**19.99%**		**19.98%**		**19.99%**		**19.99%**
Net additional floorspace (sq ft)		15,000		15,000		15,000		15,000		15,000		15,000
Net additional floorspace (sq m)		1,394		1,394		1,394		1,394		1,394		1,394

DEVELOPMENT VALUE	Appraisal 6		Appraisal 7		Appraisal 8		Appraisal 9		Appraisal 10	
Rental Income	£ psf	£ per annum	£ psf	£ per annum	£ psf	£ per annum	£ psf	£ per annum	£ psf	£ per annum
Market Rent	£45.00	£1,215,000	£46.00	£1,242,000	£47.00	£1,269,000	£48.00	£1,296,000	£49.00	£1,323,000
Affordable Workspace Rent	£33.75	£101,250	£34.50	£103,500	£35.25	£105,750	£36.00	£108,000	£36.75	£110,250
Market Rent	£45.00	£0	£46.00	£0	£47.00	£0	£48.00	£0	£49.00	£0
Total floor area / rent		£1,316,250		£1,345,500		£1,374,750		£1,404,000		£1,433,250
Rent free/voids (years)	2.0	0.9114	2.0	0.9070	2.0	0.9070	2.0	0.9070	2.0	0.9070
Yield (NB AW @ 6%)	4.75%		5.00%		5.00%		5.00%		5.00%	
Capitalised rent		£24,849,662		£24,095,238		£24,619,048		£25,142,857		£25,666,667
GROSS DEVELOPMENT VALUE										
Purchaser's costs		£1,689,777		£1,638,476		£1,674,095		£1,709,714		£1,745,333
		£23,159,885		**£22,456,762**		**£22,944,952**		**£23,433,143**		**£23,921,333**
DEVELOPMENT COSTS										
Land costs		£7,858,169		£7,858,169		£7,858,169		£7,858,169		£7,858,169
Stamp duty and acquisition costs		-£534,356		-£534,356		-£534,356		-£534,356		-£534,356
Development Costs										
Existing floor area										
Demolition costs		£209,030		£209,030		£209,030		£209,030		£209,030
Building costs		£7,817,386		£7,817,386		£7,817,386		£7,817,386		£7,817,386
Area										
External works & BREEAM		£859,912		£859,912		£859,912		£859,912		£859,912
Professional fees		£888,633		£888,633		£888,633		£888,633		£888,633
Contingency		£488,748		£488,748		£488,748		£488,748		£488,748
Residual S106 & Mayoral CIL		£227,224		£227,224		£227,224		£227,224		£227,224
CIL	-£0	-£13,918	-£19	-£580,389	-£6	-£187,057	£6	£190,256	£19	£563,471
Disposal Costs										
Letting Agent's fee (% of rent)		£131,625		£134,550		£137,475		£140,400		£143,325
Agent's fees (on capital value)		£248,497		£240,952		£246,190		£251,429		£256,667
Legal fees (% of capital value)		£157,143		£157,143		£157,143		£157,143		£157,143
Finance										
Loan arrangement fee		£0		£0		£0		£0		£0
Interest rate										
Interest		£962,750		£932,768		£953,846		£974,084		£994,106
Profit on cost		£3,859,042		£3,756,991		£3,822,608		£3,905,085		£3,991,875
Profit on cost (%)		**19.99%**		**20.09%**		**19.99%**		**20.00%**		**20.03%**
Net additional floorspace (sq ft)		15,000		15,000		15,000		15,000		15,000
Net additional floorspace (sq m)		1,394		1,394		1,394		1,394		1,394

CURRENT USE VALUE
Commercial Development

Use class:	Office & 10% Aff Work	Office & 10% Aff Workspace

	Common assumptions		CUV 1		CUV 2		CUV 3	
Current use value								
Existing space as percentage of new	50%	15,000						
Rent per sq ft			£18 psf		£25 psf		£30 psf	
Rental income per annum			£270,000		£375,000		£450,000	
Rent free/voids (years)			2.0	0.8900	2.0	0.8942	2.0	0.8985
Total revenue, capitalised (including all costs)			6.00%		5.75%		5.50%	
Refurbishment costs	£50 psf		£750,000		£750,000		£750,000	
Fees	7%		£52,500		£52,500		£52,500	
Capitalised rent, net of refurb and fees				£3,202,484		£5,029,301		£6,548,474
Purchaser's costs	6.80%							
Current use value				**£3,202,484**		**£5,029,301**		**£6,548,474**
CUV including Landowner premium			20%	£3,842,981	20.00%	£6,035,161	20.00%	£7,858,169

COMMUNITY INFRASTRUCTURE LEVY
Commercial Development

Use class:	Office & 10% Aff Workspace
Location:	LLDC - Rest of Area

	£s per sqft	Yield	Rent free
Appraisal 1	£18.00	5.75%	2.00 years
Appraisal 2	£20.00	5.75%	2.00 years
Appraisal 3	£22.00	5.75%	2.00 years
Appraisal 4	£25.00	6.00%	2.00 years
Appraisal 5 (base)	**£25.00**	**5.75%**	**2.00 years**
Appraisal 6	£25.00	5.50%	2.00 years
Appraisal 7	£26.00	5.00%	2.00 years
Appraisal 8	£28.00	5.75%	2.00 years
Appraisal 9	£30.00	5.75%	2.00 years
Appraisal 10	£32.00	5.75%	2.00 years

Existing floorspace as % of new

50%

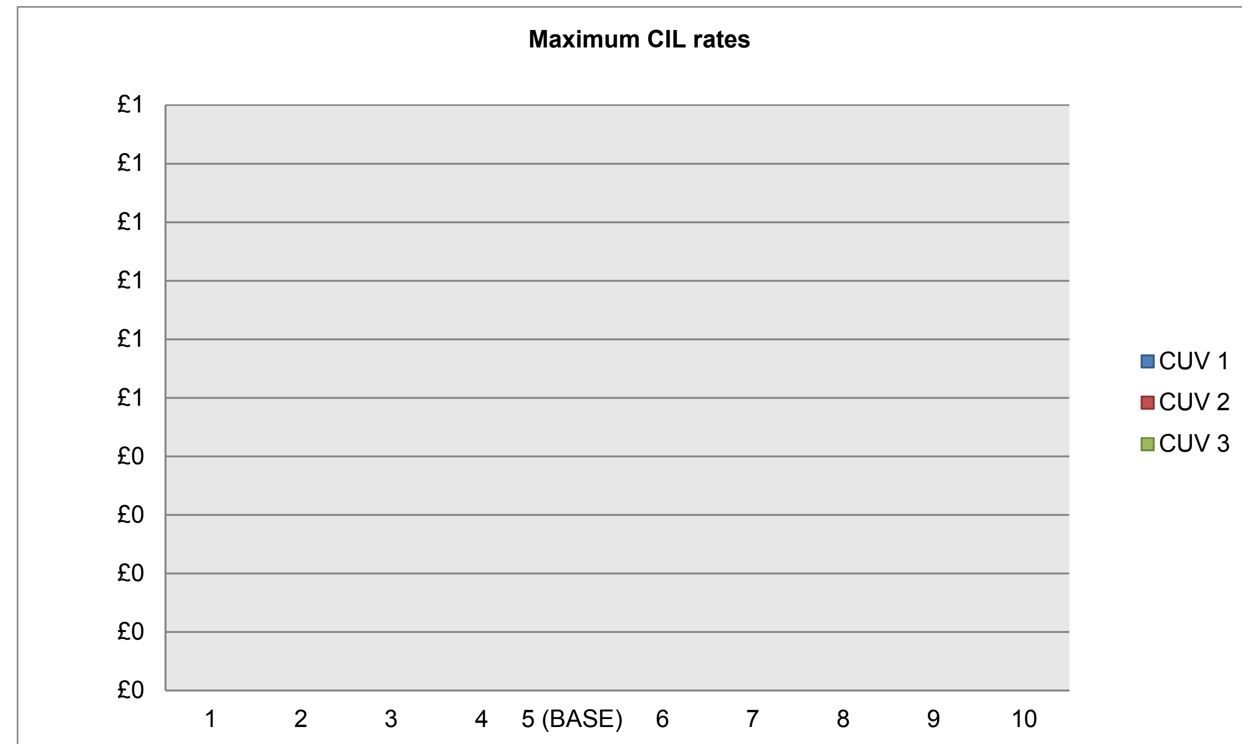
Net off existing floorspace from CIL calculation: n

Ctrl + y to goal seek max CIL

	£s per sqft	Yield	Rent free	Premium
Current use value 1	£9.00	7.00%	2.00 years	20.00%
Current use value 2	£15.00	6.50%	2.00 years	20.00%
Current use value 3	£18.00	6.00%	2.00 years	20.00%

Results - Maximum CIL rates per square metre

	Change in rent from base	CUV 1	CUV 2	CUV 3
Appraisal 1	-39%	£0	£0	£0
Appraisal 2	-25%	£0	£0	£0
Appraisal 3	-14%	£0	£0	£0
Appraisal 4	0%	£0	£0	£0
Appraisal 5 (base)	**-**	**£0**	**£0**	**£0**
Appraisal 6	0%	£0	£0	£0
Appraisal 7	4%	£0	£0	£0
Appraisal 8	11%	£0	£0	£0
Appraisal 9	17%	£0	£0	£0
Appraisal 10	22%	£0	£0	£0



DEVELOPMENT APPRAISAL
Commercial Development

Use class:	Office & 10% Aff Workspace
Location:	LLDC - Rest of Area

DEVELOPMENT VALUE	Common assumptions		Appraisal 1		Appraisal 2		Appraisal 3		Appraisal 4		Appraisal 5	
Rental Income	Floor area		£ psf	£ per annum	£ psf	£ per annum	£ psf	£ per annum	£ psf	£ per annum	£ psf	£ per annum
Market Rent	27,000		£18.00	£486,000	£20	£540,000	£22.00	£594,000	£25.00	£675,000	£25.00	£675,000
Affordable Workspace Rent	3,000		£13.50	£40,500	£15	£45,000	£16.50	£49,500	£18.75	£56,250	£18.75	£56,250
Market Rent			£18.00	£0	£20	£0	£22.00	£0	£25.00	£0	£25.00	£0
Total floor area / rent		30,000		£526,500		£585,000		£643,500		£731,250		£731,250
Rent free/voids (years)			2.0	0.8942	2.0	0.8942	2.0	0.8942	2.0	0.8900	2.0	0.8942
Yield (NB AW @ 6%)			5.75%		5.75%		5.75%		6.00%		5.75%	
Capitalised rent				£8,161,605		£9,068,450		£9,975,295		£10,846,832		£11,335,563
GROSS DEVELOPMENT VALUE												
Purchaser's costs	6.80%			£554,989		£616,655		£678,320		£737,585		£770,818
				£7,606,616		**£8,451,795**		**£9,296,975**		**£10,109,247**		**£10,564,744**
DEVELOPMENT COSTS												
Land costs				£3,842,981		£3,842,981		£3,842,981		£3,842,981		£3,842,981
Stamp duty and acquisition costs				-£261,323		-£261,323		-£261,323		-£261,323		-£261,323
Development Costs												
Existing floor area	50%	15,000										
Demolition costs	£14 psf			£209,030		£209,030		£209,030		£209,030		£209,030
Building costs	£200 psf			£7,331,348		£7,331,348		£7,331,348		£7,331,348		£7,331,348
Area	82% grs to net	36,585										
External works & BREEAM	11.00%			£806,448		£806,448		£806,448		£806,448		£806,448
Professional fees	10.00%			£834,683		£834,683		£834,683		£834,683		£834,683
Contingency	5.00%			£459,075		£459,075		£459,075		£459,075		£459,075
Residual S106 & Mayoral CIL	£8 psf			£227,224		£227,224		£227,224		£227,224		£227,224
CIL	£s psf	30,000	-£254	-£7,619,010	-£232	-£6,964,101	-£210	-£6,309,218	-£189	-£5,683,022	-£178	-£5,327,150
Disposal Costs												
Letting Agent's fee (% of rent)	10.00%			£52,650		£58,500		£64,350		£73,125		£73,125
Agent's fees (on capital value)	1.00%			£81,616		£90,685		£99,753		£108,468		£113,356
Legal fees (% of capital value)	0.75%			£61,212		£61,212		£61,212		£61,212		£61,212
Finance												
Loan arrangement fee				£0		£0		£0		£0		£0
Interest rate	7.00%											
Interest	18 months			£316,362		£351,528		£386,692		£420,486		£439,426
Profit on cost				£1,264,319		£1,404,505		£1,544,719		£1,679,511		£1,755,309
Profit on cost (%)				**19.93%**		**19.93%**		**19.93%**		**19.92%**		**19.93%**
Net additional floorspace (sq ft)		15,000		15,000		15,000		15,000		15,000		15,000
Net additional floorspace (sq m)		1,394		1,394		1,394		1,394		1,394		1,394

DEVELOPMENT VALUE	Appraisal 6		Appraisal 7		Appraisal 8		Appraisal 9		Appraisal 10	
Rental Income	£ psf	£ per annum	£ psf	£ per annum	£ psf	£ per annum	£ psf	£ per annum	£ psf	£ per annum
Market Rent	£25.00	£675,000	£26.00	£702,000	£28.00	£756,000	£30.00	£810,000	£32.00	£864,000
Affordable Workspace Rent	£18.75	£56,250	£19.50	£58,500	£21.00	£63,000	£22.50	£67,500	£24.00	£72,000
Market Rent	£25.00	£0	£26.00	£0	£28.00	£0	£30.00	£0	£32.00	£0
Total floor area / rent		£731,250		£760,500		£819,000		£877,500		£936,000
Rent free/voids (years)	2.0	0.8985	2.0	0.9070	2.0	0.8942	2.0	0.8942	2.0	0.8942
Yield (NB AW @ 6%)	5.50%		5.00%		5.75%		5.75%		5.75%	
Capitalised rent		£11,868,761		£13,619,048		£12,695,830		£13,602,675		£14,509,520
GROSS DEVELOPMENT VALUE										
Purchaser's costs		£807,076		£926,095		£863,316		£924,982		£986,647
		£11,061,685		**£12,692,952**		**£11,832,514**		**£12,677,693**		**£13,522,873**
DEVELOPMENT COSTS										
Land costs		£3,842,981		£3,842,981		£3,842,981		£3,842,981		£3,842,981
Stamp duty and acquisition costs		-£261,323		-£261,323		-£261,323		-£261,323		-£261,323
Development Costs										
Existing floor area										
Demolition costs		£209,030		£209,030		£209,030		£209,030		£209,030
Building costs		£7,331,348		£7,331,348		£7,331,348		£7,331,348		£7,331,348
Area										
External works & BREEAM		£806,448		£806,448		£806,448		£806,448		£806,448
Professional fees		£834,683		£834,683		£834,683		£834,683		£834,683
Contingency		£459,075		£459,075		£459,075		£459,075		£459,075
Residual S106 & Mayoral CIL		£227,224		£227,224		£227,224		£227,224		£227,224
CIL	-£165	-£4,938,753	-£122	-£3,672,522	-£145	-£4,354,629	-£123	-£3,696,173	-£101	-£3,040,907
Disposal Costs										
Letting Agent's fee (% of rent)		£73,125		£76,050		£81,900		£87,750		£93,600
Agent's fees (on capital value)		£118,688		£136,190		£126,958		£136,027		£145,095
Legal fees (% of capital value)		£61,212		£61,212		£61,212		£61,212		£61,212
Finance										
Loan arrangement fee		£0		£0		£0		£0		£0
Interest rate										
Interest		£460,096		£527,646		£491,658		£527,010		£562,195
Profit on cost		£1,837,850		£2,114,909		£1,975,947		£2,112,400		£2,252,211
Profit on cost (%)		**19.93%**		**19.99%**		**20.05%**		**19.99%**		**19.98%**
Net additional floorspace (sq ft)		15,000		15,000		15,000		15,000		15,000
Net additional floorspace (sq m)		1,394		1,394		1,394		1,394		1,394

CURRENT USE VALUE
Commercial Development

Use class:	Office & 10% Aff Work	Office & 10% Aff Workspace

	Common assumptions		CUV 1		CUV 2		CUV 3	
Current use value								
Existing space as percentage of new	50%	15,000						
Rent per sq ft			£9 psf		£15 psf		£18 psf	
Rental income per annum			£135,000		£225,000		£270,000	
Rent free/voids (years)			2.0	0.8734	2.0	0.8817	2.0	0.8900
Total revenue, capitalised (including all costs)			7.00%		6.50%		6.00%	
Refurbishment costs	£50 psf		£750,000		£750,000		£750,000	
Fees	7%		£52,500		£52,500		£52,500	
Capitalised rent, net of refurb and fees				£881,989		£2,249,398		£3,202,484
Purchaser's costs	6.80%							
Current use value				**£881,989**		**£2,249,398**		**£3,202,484**
CUV including Landowner premium			20%	£1,058,387	20.00%	£2,699,277	20.00%	£3,842,981

Appendix 2 - Shared Living / Co-living appraisal results with DMR – Base Values

Community Infrastructure Levy Viability
London Legacy Development Corporation
Results summary

#N/A = Scheme RLV is lower than EUV with nil rate of CIL.

Affordable Housing	35%			
Tenure Split	SR	Lon AR	Lon LR	DMR (50%)
	0%	0%	0%	100%

Site type	Co-Living Scheme - 220 units			
	BLV1	BLV2	BLV3	BLV4
Co-living	#N/A	#N/A	#N/A	#N/A

Community Infrastructure Levy
London Legacy Development Corporation

Benchmark Land Values (per gross ha)

BLV1	BLV2	BLV3	BLV4
Benchmark Land Value 1 - Secondary Offices (higher)	Benchmark Land Value 2 - Secondary Offices (lower)	Benchmark Land Value 3 - Secondary industrial/storage/distribution space	Benchmark Land Value 4 – Open storage land
£25,773,000	£18,037,000	£9,567,000	£3,880,000

Site type 1

	Flats
No of units	250 units
Density:	1833 dph

Affordable %	35%
% Social Rent	0%
% Lon Affordable Rent	0%
% Lon Living Rent	0%
% Discount MR (50%)	100%

Site area	0.1364 ha
Net to gross	100%

Growth

Sales	0%
Build	0%

Co-living

Private values £12752 psm

CIL amount per sq m	RLV	RLV per ha	RLV less BLV 1	RLV less BLV 2	RLV less BLV 3	RLV less BLV 4
0	455,950	3,343,025	-22,429,975	-14,693,975	-6,223,975	-536,975
80	75,944	556,823	-25,216,177	-17,480,177	-9,010,177	-3,323,177
110	-64,453	-472,567	-26,245,567	-18,509,567	-10,039,567	-4,352,567
134	-177,409	-1,300,765	-27,073,765	-19,337,765	-10,867,765	-5,180,765
150	-253,504	-1,858,692	-27,631,692	-19,895,692	-11,425,692	-5,738,692
175	-371,661	-2,725,017	-28,498,017	-20,762,017	-12,292,017	-6,605,017
200	-489,818	-3,591,343	-29,364,343	-21,628,343	-13,158,343	-7,471,343
225	-607,974	-4,457,668	-30,230,668	-22,494,668	-14,024,668	-8,337,668
250	-726,131	-5,323,993	-31,096,993	-23,360,993	-14,890,993	-9,203,993
275	-844,289	-6,190,326	-31,963,326	-24,227,326	-15,757,326	-10,070,326
300	-962,446	-7,056,651	-32,829,651	-25,093,651	-16,623,651	-10,936,651
325	-1,080,602	-7,922,977	-33,695,977	-25,959,977	-17,489,977	-11,802,977
350	-1,198,759	-8,789,302	-34,562,302	-26,826,302	-18,356,302	-12,669,302
375	-1,316,916	-9,655,627	-35,428,627	-27,692,627	-19,222,627	-13,535,627
400	-1,435,073	-10,521,953	-36,294,953	-28,558,953	-20,088,953	-14,401,953
425	-1,553,229	-11,388,278	-37,161,278	-29,425,278	-20,955,278	-15,268,278

Maximum CIL rates (per square metre)

BLV1	BLV2	BLV3	BLV4
#N/A	#N/A	#N/A	#N/A

Community Infrastructure Levy Viability
London Legacy Development Corporation
Results summary

#N/A = Scheme RLV is lower than EUV with nil rate of CIL.

Affordable Housing	**30%**			
Tenure Split	**SR**	**Lon AR**	**Lon LR**	**DMR (50%)**
	0%	**0%**	**0%**	**100%**

Site type	**Co-Living Scheme - 220 units**			
	BLV1	**BLV2**	**BLV3**	**BLV4**
Co-living	#N/A	0	275	425

Community Infrastructure Levy
London Legacy Development Corporation

Benchmark Land Values (per gross ha)

BLV1	BLV2	BLV3	BLV4
Benchmark Land Value 1 - Secondary Offices (higher)	Benchmark Land Value 2 - Secondary Offices (lower)	Benchmark Land Value 3 - Secondary industrial/storage/distribution space	Benchmark Land Value 4 – Open storage land
£25,773,000	£18,037,000	£9,567,000	£3,880,000

Site type	1
	Flats
No of units	250 units
Density:	1833 dph

Co-living

Affordable %	30%
% Social Rent	0%
% Lon Affordable Rent	0%
% Lon Living Rent	0%
% Discount MR (50%)	100%

Private values	£12752 psm

Site area	0.1364 ha
Net to gross	100%

Growth

Sales	0%
Build	0%

CIL amount per sq m	RLV	RLV per ha	RLV less BLV 1	RLV less BLV 2	RLV less BLV 3	RLV less BLV 4
0	2,823,759	20,703,798	-5,069,202	2,666,798	11,136,798	16,823,798
80	2,374,400	17,409,099	-8,363,901	-627,901	7,842,099	13,529,099
110	2,224,321	16,308,719	-9,464,281	-1,728,281	6,741,719	12,428,719
134	2,104,633	15,431,166	-10,341,834	-2,605,834	5,864,166	11,551,166
150	2,024,003	14,839,991	-10,933,009	-3,197,009	5,272,991	10,959,991
175	1,898,805	13,922,040	-11,850,960	-4,114,960	4,355,040	10,042,040
200	1,773,606	13,004,082	-12,768,918	-5,032,918	3,437,082	9,124,082
225	1,648,408	12,086,131	-13,686,869	-5,950,869	2,519,131	8,206,131
250	1,523,210	11,168,173	-14,604,827	-6,868,827	1,601,173	7,288,173
275	1,398,012	10,250,222	-15,522,778	-7,786,778	683,222	6,370,222
300	1,272,814	9,332,272	-16,440,728	-8,704,728	-234,728	5,452,272
325	1,147,615	8,414,314	-17,358,686	-9,622,686	-1,152,686	4,534,314
350	1,022,417	7,496,363	-18,276,637	-10,540,637	-2,070,637	3,616,363
375	897,219	6,578,412	-19,194,588	-11,458,588	-2,988,588	2,698,412
400	772,020	5,660,454	-20,112,546	-12,376,546	-3,906,546	1,780,454
425	646,823	4,742,503	-21,030,497	-13,294,497	-4,824,497	862,503

Maximum CIL rates (per square metre)

BLV1	BLV2	BLV3	BLV4
#N/A	£0	£275	£425

Community Infrastructure Levy Viability
London Legacy Development Corporation
Results summary

#N/A = Scheme RLV is lower than EUV with nil rate of CIL.

Affordable Housing	**25%**			
Tenure Split	**SR**	**Lon AR**	**Lon LR**	**DMR (50%)**
	0%	**0%**	**0%**	**100%**

Site type	**Co-Living Scheme - 220 units**			
	BLV1	**BLV2**	**BLV3**	**BLV4**
Co-living	275	425	425	425

Community Infrastructure Levy
London Legacy Development Corporation

Benchmark Land Values (per gross ha)

BLV1	BLV2	BLV3	BLV4
Benchmark Land Value 1 - Secondary Offices (higher)	Benchmark Land Value 2 - Secondary Offices (lower)	Benchmark Land Value 3 - Secondary industrial/storage/distribution space	Benchmark Land Value 4 – Open storage land
£25,773,000	£18,037,000	£9,567,000	£3,880,000

Site type	1
	Flats
No of units	250 units
Density:	1833 dph

Co-living

Affordable %	25%
% Social Rent	0%
% Lon Affordable Rent	0%
% Lon Living Rent	0%
% Discount MR (50%)	100%
Private values	£12752 psm

Site area	0.1364 ha
Net to gross	100%

Growth

Sales	0%
Build	0%

CIL amount per sq m	**RLV**	**RLV per ha**	**RLV less BLV 1**	**RLV less BLV 2**	**RLV less BLV 3**	**RLV less BLV 4**
0	5,191,566	38,064,563	12,291,563	20,027,563	28,497,563	34,184,563
80	4,672,856	34,261,383	8,488,383	16,224,383	24,694,383	30,381,383
110	4,512,056	33,082,396	7,309,396	15,045,396	23,515,396	29,202,396
134	4,383,819	32,142,162	6,369,162	14,105,162	22,575,162	28,262,162
150	4,297,431	31,508,766	5,735,766	13,471,766	21,941,766	27,628,766
175	4,163,290	30,525,243	4,752,243	12,488,243	20,958,243	26,645,243
200	4,029,149	29,541,721	3,768,721	11,504,721	19,974,721	25,661,721
225	3,895,008	28,558,199	2,785,199	10,521,199	18,991,199	24,678,199
250	3,760,867	27,574,677	1,801,677	9,537,677	18,007,677	23,694,677
275	3,626,726	26,591,154	818,154	8,554,154	17,024,154	22,711,154
300	3,492,585	25,607,632	-165,368	7,570,632	16,040,632	21,727,632
325	3,358,444	24,624,110	-1,148,890	6,587,110	15,057,110	20,744,110
350	3,224,303	23,640,587	-2,132,413	5,603,587	14,073,587	19,760,587
375	3,090,163	22,657,072	-3,115,928	4,620,072	13,090,072	18,777,072
400	2,956,022	21,673,550	-4,099,450	3,636,550	12,106,550	17,793,550
425	2,821,880	20,690,028	-5,082,972	2,653,028	11,123,028	16,810,028

Maximum CIL rates (per square metre)

BLV1	**BLV2**	**BLV3**	**BLV4**
£275	£425	£425	£425

Community Infrastructure Levy Viability
London Legacy Development Corporation
Results summary

#N/A = Scheme RLV is lower than EUV with nil rate of CIL.

Affordable Housing	**20%**			
Tenure Split	**SR**	**Lon AR**	**Lon LR**	**DMR (50%)**
	0%	**0%**	**0%**	**100%**

Site type	**Co-Living Scheme - 220 units**			
	BLV1	**BLV2**	**BLV3**	**BLV4**
Co-living	425	425	425	425

Community Infrastructure Levy
London Legacy Development Corporation

Benchmark Land Values (per gross ha)

BLV1	BLV2	BLV3	BLV4
Benchmark Land Value 1 - Secondary Offices (higher)	Benchmark Land Value 2 - Secondary Offices (lower)	Benchmark Land Value 3 - Secondary industrial/storage/distribution space	Benchmark Land Value 4 – Open storage land
£25,773,000	£18,037,000	£9,567,000	£3,880,000

Site type 1

	Flats
No of units	250 units
Density:	1833 dph

Co-living

Affordable %	20%
% Social Rent	0%
% Lon Affordable Rent	0%
% Lon Living Rent	0%
% Discount MR (50%)	100%

Private values	£12752 psm

Site area	0.1364 ha
Net to gross	100%

Growth

Sales	0%
Build	0%

CIL amount per sq m	RLV	RLV per ha	RLV less BLV 1	RLV less BLV 2	RLV less BLV 3	RLV less BLV 4
0	7,559,375	55,425,336	29,652,336	37,388,336	45,858,336	51,545,336
80	6,971,312	51,113,660	25,340,660	33,076,660	41,546,660	47,233,660
110	6,799,793	49,856,079	24,083,079	31,819,079	40,289,079	45,976,079
134	6,663,007	48,853,165	23,080,165	30,816,165	39,286,165	44,973,165
150	6,570,858	48,177,534	22,404,534	30,140,534	38,610,534	44,297,534
175	6,427,775	47,128,447	21,355,447	29,091,447	37,561,447	43,248,447
200	6,284,691	46,079,353	20,306,353	28,042,353	36,512,353	42,199,353
225	6,141,608	45,030,267	19,257,267	26,993,267	35,463,267	41,150,267
250	5,998,523	43,981,173	18,208,173	25,944,173	34,414,173	40,101,173
275	5,855,440	42,932,086	17,159,086	24,895,086	33,365,086	39,052,086
300	5,712,357	41,883,000	16,110,000	23,846,000	32,316,000	38,003,000
325	5,569,272	40,833,906	15,060,906	22,796,906	31,266,906	36,953,906
350	5,426,189	39,784,819	14,011,819	21,747,819	30,217,819	35,904,819
375	5,283,105	38,735,725	12,962,725	20,698,725	29,168,725	34,855,725
400	5,140,022	37,686,639	11,913,639	19,649,639	28,119,639	33,806,639
425	4,996,938	36,637,552	10,864,552	18,600,552	27,070,552	32,757,552

Maximum CIL rates (per square metre)

BLV1	BLV2	BLV3	BLV4
£425	£425	£425	£425

Appendix 3 - Shared Living / Co-living appraisal results with DMR – Growth in Values of 10% and inflation in Costs of 5%

Community Infrastructure Levy Viability
London Legacy Development Corporation
Results summary

#N/A = Scheme RLV is lower than EUV with nil rate of CIL.

Affordable Housing	**35%**			
Tenure Split	**SR**	**Lon AR**	**Lon LR**	**DMR (50%)**
	0%	**0%**	**0%**	**100%**
Growth				
Value growth	**10%**			
Cost growth	**5%**			

Site type	**Co-Living Scheme - 220 units**			
	BLV1	**BLV2**	**BLV3**	**BLV4**
Co-living	#N/A	#N/A	134	300

Community Infrastructure Levy
London Legacy Development Corporation

Benchmark Land Values (per gross ha)

BLV1	BLV2	BLV3	BLV4
Benchmark Land Value 1 - Secondary Offices (higher)	Benchmark Land Value 2 - Secondary Offices (lower)	Benchmark Land Value 3 - Secondary industrial/storage/distribution space	Benchmark Land Value 4 – Open storage land
£25,773,000	£18,037,000	£9,567,000	£3,880,000

Site type	1
	Flats
No of units	250 units
Density:	1833 dph

Co-living

Affordable %	35%
% Social Rent	0%
% Lon Affordable Rent	0%
% Lon Living Rent	0%
% Discount MR (50%)	100%

Private values	£12752 psm

Site area	0.1364 ha
Net to gross	100%

Growth

Sales	10%
Build	5%

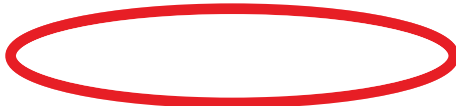
CIL amount per sq m	**RLV**	**RLV per ha**	**RLV less BLV 1**	**RLV less BLV 2**	**RLV less BLV 3**	**RLV less BLV 4**
0	2,020,566	14,814,789	-10,958,211	-3,222,211	5,247,789	10,934,789
80	1,613,650	11,831,281	-13,941,719	-6,205,719	2,264,281	7,951,281
110	1,474,290	10,809,494	-14,963,506	-7,227,506	1,242,494	6,929,494
134	1,363,152	9,994,628	-15,778,372	-8,042,372	427,628	6,114,628
150	1,288,281	9,445,674	-16,327,326	-8,591,326	-121,326	5,565,674
175	1,172,025	8,593,288	-17,179,712	-9,443,712	-973,712	4,713,288
200	1,055,770	7,740,908	-18,032,092	-10,296,092	-1,826,092	3,860,908
225	939,515	6,888,522	-18,884,478	-11,148,478	-2,678,478	3,008,522
250	823,259	6,036,136	-19,736,864	-12,000,864	-3,530,864	2,156,136
275	707,003	5,183,749	-20,589,251	-12,853,251	-4,383,251	1,303,749
300	590,748	4,331,363	-21,441,637	-13,705,637	-5,235,637	451,363
325	474,492	3,478,976	-22,294,024	-14,558,024	-6,088,024	-401,024
350	358,237	2,626,597	-23,146,403	-15,410,403	-6,940,403	-1,253,403
375	241,982	1,774,210	-23,998,790	-16,262,790	-7,792,790	-2,105,790
400	125,726	921,824	-24,851,176	-17,115,176	-8,645,176	-2,958,176
425	9,470	69,437	-25,703,563	-17,967,563	-9,497,563	-3,810,563

Maximum CIL rates (per square metre)

BLV1	**BLV2**	**BLV3**	**BLV4**
#N/A	#N/A	£134	£300

Appendix 4 - Map of "Stratford Office and Retail Charging Area"

Stratford Retail and Office Area boundary



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