

Benny Clutario

From: [REDACTED].co.uk
Sent: 13 March 2020 22:36
To: s106-cil
Cc: [REDACTED] (UK - England)
Subject: Re: DCS 2020

Dear Sir/Madam,

On behalf of [REDACTED] at JLL, please see the objection below, with I am sending to you, as either the Lambeth or JLL servers have repeatedly been rejecting emails between the two organisations.

Thank you.

[REDACTED]

Dear Sir/Madam

On behalf of Grainger plc, we write to object to the Draft Charging Schedule that has been published for consultation.

Grainger plc is the UK's largest listed residential landlord, whose business model is to develop, own and operate rental homes for the long term. It has over 160 years' experience as a professional landlord with over 9,000 homes across the UK. It is a market leader in the UK in the build to rent and private rented sector.

As part of its holding, Grainger owns a number of homes within the Borough of Lambeth, some of which are, or will be, in need of estate renewal. In addition, it also is bringing forward plans to provide new homes on surplus TfL land, as part of a joint venture with them.

Grainger objects to the substantial increases in CIL being proposed. It is recognised that the rates in the current Charging Schedule dated October 2014 need to be indexed using the BCIS All Tender Price Index in order to get to the current day rates that would be charged on development, but the proposed increases go well beyond this and represent a major step change, with real term increases ranging from over 35% in Zone A, to increases of 259% in Zone C.

The current residential CIL rates within the Borough, their indexation to current day rates and the proposed increase in the 2020 Draft Charging Schedule are set out in the table below.

Comparison of Lambeth CIL Rates

Residential Zone	2014 Charging Schedule	2014 Rates Indexed	Proposed 2020 CIL Rates	Percentage Increase in Real Terms
A	265	369	500	35

B	150	209	350	67
C	50	70	250	259

The origin of these proposed increases stems from a review in 2018 that Lambeth Borough Council commissioned BNP Paribas to undertake. A range of proposals with differing assumptions were used to explore viability. It is not appropriate within the scope of this representation to discuss the appraisals in detail, but a key factor for BNP Paribas in respect of residential CIL rates, which is set out in its summary on page 5, is that:

“CIL values have increased at a faster rate than build costs since the adopted CIL rates were tested and as a consequence, residential schemes can absorb higher levels of CIL.”

The conclusions in section 7 repeat the point in paragraph 7.6, which states that:

“increases in sales values since the last Charging Schedule was formulated have outstripped increases in costs, which has resulted in improvements in viability and enhanced capacity for absorbing CIL requirements.”

This conclusion did not mirror Grainger’s understanding of either the residential market or the increases that there have been in build costs. JLL has therefore sought to explore this further.

The current Charging Schedule was adopted in October 2014 and in view of the fact that it was based on data already gathered, the CIL legislation requires indexation to be start from the preceding November, ie November 2013. For the same reason, schemes permitted now would be indexed up to the proceeding November, ie November 2019. The BCIS All Tender Price Index (which the legislation required be used for CIL prior to 2020) shows that build costs have increased by 39% over this period.

In order to be consistent in looking at increases in residential values, the same period November 2013 to November 2019 has been examined. Data from the Land Registry for the Borough of Lambeth during this period shows average residential prices have gone up by 32%.

Therefore build cost inflation has actually outstripped increase in residential values by some 7%. Using the argument put forward by BNP Paribas, the new CIL rates being brought forward should actually be lower than those in the current Charging Schedule, but as can be seen from the table above, are very substantially higher.

Other CIL costs have also gone up, with the Mayoral CIL going from £35 per sq m to £60 per sqm under MCIL2.

It also needs to be recognised that the “easier” redevelopment sites have gone and that in an urban area such as Lambeth, it is the more challenging sites that will now have to be redeveloped to meet housing needs and these invariably have higher existing use values and/or other costs and these need to be recognised in setting a new CIL going forward, but have not been.

Furthermore, the particular characteristics of build to rent schemes need to be given greater consideration. It is widely recognised that build to rent housing has different economic characteristics, with there being no capital sale at the end of the construction period, only an annual rental income. The appraisals by BNP Paribas undertaken in 2018 recognise this and

indeed its summary states that “appraisals indicated that the viability of build to rent schemes is challenging on sites with high existing use values, regardless of the rent level applied to the affordable housing element”. Any new CIL rates for the Borough need to ensure that they do not inhibit all forms of residential development coming forward, including build to rent, which has been recognised as playing an important role in meeting housing needs.

The substantial increase in CIL rates being proposed would jeopardise the viability of build to rent schemes in particular within the Borough and are therefore contrary to the Government’s key objective of significantly boosting the supply of homes, as set out in paragraph 59 of the NPPF.

In the light of the above, it is considered that there should be no real term increase in the Borough CIL rates applied to residential development.

Yours faithfully,


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