

City of London

Community Infrastructure Levy

Draft

Charging Schedule

July 2013



CONSULTATION

The City of London Corporation is consulting on the Community Infrastructure Levy Draft Charging Schedule.

The Draft Charging Schedule is supported by:

- An Economic Viability Study undertaken by Gerald Eve LLP – Community Infrastructure Levy: Economic Viability Study, January 2013
- A commentary on changes in the City development market since January 2013, provided by Gerald Eve
- The Infrastructure Delivery Plan
- A Regulation 123 List
- Draft Planning Obligations Supplementary Planning Document - Further Options

Consultation on the CIL will be undertaken in accordance with the procedures set out in the Planning Act 2008, the Community Infrastructure Levy Regulations 2010 (as amended) and the requirements of the City Corporation's Statement of Community Involvement.

Changes from the Preliminary Draft Charging Schedule are identified by Underline for new text and ~~Strikethrough~~ for deleted text.

Copies of the documents are available:

- Online at: www.cityoflondon.gov.uk/CIL
- From the Department of the Built Environment in the Guildhall (at the address given below).
- From public libraries in the City of London.

Please send any comments to:

The Director of the Built Environment
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Guildhall
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Email: localplan@cityoflondon.gov.uk

All comments will be made public. All those who comment will be informed when the Draft Charging Schedule is due to be examined.

If you would like to receive a copy of this publication in an alternative format such as Braille, large print, or audio tape, or would like to receive it in an alternative language, please contact the Development Plans Team on telephone number 020 7332 1710, minicom number 020 7332 3929 or email localplan@cityoflondon.gov.uk

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Further Information

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THE COMMUNITY INFRASTRUCTURE LEVY

1. The statutory power to charge the Community Infrastructure Levy (CIL) was introduced in the Planning Act 2008 and came into force on 6th April 2010. It is a statutory charge which is applied to most new development to help fund the infrastructure needed to support planned development in an area. It should be consistent with, and support, the implementation of the area's Development Plan. The 2008 Act, amended by the Localism Act 2011, provides the legislative basis for CIL. Detailed requirements for the setting and charging of CIL are set out in the Community Infrastructure Levy Regulations 2010, amended in 2011, ~~and 2012~~ and 2013, and statutory guidance issued by the Department for Communities and Local Government in ~~December 2012~~ April 2013.
2. CIL will be charged on most new development where there is an increase of more than 100 square metres (sqm) of new floorspace, or one new dwelling (irrespective of the increase in floorspace).
3. In London, the City Corporation and the 32 London Boroughs are designated CIL Charging Authorities, as is the Mayor of London (in respect of strategic transport infrastructure). The City Corporation and London Boroughs are responsible for the collection of the Mayoral CIL.

CIL Rate Setting Process

4. CIL regulations and statutory guidance issued by the Department for Communities and Local Government specify the process that Charging Authorities must follow when setting a CIL.
5. Charging Authorities are required by Regulation 14 to set a rate which does not put at serious risk the overall development of their area. Charging Authorities should use evidence to strike what appears to them to be an appropriate balance between the desirability of funding infrastructure through CIL and the potential effects (taken as a whole) of the levy on the economic viability of development across their area, when considered alongside the Mayoral CIL (in London) and any scaled back s106 planning obligations. In meeting the requirements under Regulation 14, Charging Authorities should show and explain how their proposed levy rate would contribute towards the implementation of the Development Plan and support the development of their area.
6. In setting a CIL, Charging Authorities are required to identify the total infrastructure funding gap that the levy is intended to reduce support, having taken account of other sources of available funding. They should use the infrastructure planning that underpinned their development plan to identify the types of infrastructure that are likely to be funded through CIL and provide this evidence at the public examination into CIL. In order to provide flexibility to respond to changing circumstances, Charging Authorities may spend CIL funds on different projects from those identified during the rate setting process.

Economic Viability

7. Charging Authorities are required to prepare evidence of the impact of their proposed CIL on the economic viability of development across their area and not

in relation to individual developments, and then to demonstrate to an independent examiner that an appropriate balance has been struck. Charging Authorities should demonstrate that the proposed rate would not threaten the delivery of the Development Plan as a whole and has taken into account the development costs arising from the requirements of the Development Plan and other regulatory requirements.

Differential Rates

8. Charging Authorities may set differential CIL rates where they can be justified by economic viability evidence. Rates can be varied according to different types of development, or locations within an area, where this is supported by the viability assessment.

CIL Setting Procedure

9. Charging Authorities must set out their CIL rate in a Charging Schedule. The process for preparing a Charging Schedule is similar to that for a development plan and involves the following stages:
 - Consultation on preliminary draft charging schedule
 - Consultation on a draft charging schedule
 - Public examination
 - Adoption and implementation
10. Statutory guidance recommends that the consultation should be for a minimum 6 week period.
11. The City of London Corporation consulted on its Preliminary Draft Charging Schedule between 25th March 2013 and 13th May 2013. It received a total of 15 comments. The City Corporation has taken account of these comments, further amendments to the CIL Regulations and revised statutory guidance from Government, issued in 2013, in preparing its CIL Draft Charging Schedule. The City Corporation has set out a detailed response to each of the comments received in its Consultation Statement on the Preliminary Draft Charging Schedule. This Statement, together with copies of all representations received, is available on the City Corporation's website.
12. Following consultation on this Draft Charging Schedule, the City Corporation will submit the Draft Charging Schedule for formal Public Examination. This Examination is expected to take place later in 2013, with the CIL being formally adopted in spring 2014. is currently at the first stage in this process and this consultation seeks views on the City's Preliminary Draft Charging Schedule. Consultation on the Draft Charging Schedule is expected to take place in summer 2013, a public examination is expected later in 2013 and adoption of the CIL in early 2014.

Liability to Pay CIL

13. The development of most buildings that people normally use will be liable to pay CIL. Buildings into which people do not normally go, or go into intermittently for the maintenance or inspection of plant or machinery, are not liable.

14. CIL is only charged on the net increase in floorspace in development (measured by the Gross Internal Area), where there is an increase in floorspace of 100 sqm or more of gross internal space, or where development results in the creation of one or more dwellings (even where the uplift in floorspace is less than 100 sqm).
15. When calculating the CIL charge, the gross internal floorspace of any buildings to be demolished on the site will be deducted from the liability, where the building has been in continuous lawful use for at least 6 months in the 12 months prior to development being permitted.
16. CIL will be charged on development which requires planning consent and exceeds the size thresholds set out in paragraph 13 above, including those developments granted consent through the General Permitted Development Order, any local planning order, or any neighbourhood development order.
17. CIL in the City of London will be charged and collected by the City of London Corporation (the Charging Authority). The City Corporation also collects the Mayoral CIL payable on developments in the City on behalf of the Mayor.
18. CIL charges become due from the date of commencement of development. As soon as practicable after planning permission has been granted, the City Corporation will issue a **Liability Notice** setting out the amount of CIL to be paid, the payment procedure and the consequences of not paying. The developer must then submit a **Commencement Notice** to the City Corporation giving notice of the intended commencement date. The City Corporation will then issue a **Demand Notice** setting out the required CIL payment and payment terms. Payment is normally due between 60 and 240 days after commencement (according to the terms of the instalment policy adopted by the City Corporation and the Mayor). The CIL charge will be registered as a Local Land Charge.
19. The responsibility for payment of CIL runs with the ownership of land. Regulations define ownership as a person with a 'material interest' in the land, i.e. owners of freeholds or owners of leaseholds than run for more than 7 years from the date of permission. In many cases it will be the developer rather than the landowner who assumes liability to pay the CIL.

Relief from CIL

20. Regulations give statutory relief from CIL for:
 - charities where the chargeable development is to be used wholly or mainly for charitable purposes;
 - social housing development.
21. Clawback procedures are set out requiring the repayment of relief if the development ceases to fall within the above categories within 7 years of commencement.

In-kind Payments

22. Regulations allow Charging Authorities to accept transfers of land as a payment in kind for the whole or a part of the levy, but only where the land will be used to provide infrastructure.

Exceptional Circumstances

23. Regulations allow for relief from CIL in exceptional circumstances, but only where a Charging Authority has made such relief available in its area and:
- a s106 agreement has been entered into in respect of the planning permission which permits the chargeable development;
 - the Charging Authority considers that the cost of complying with the s106 is greater than the CIL charge;
 - the Charging Authority considers that payment of the full CIL charge would have an unacceptable impact on economic viability of the development; and
 - the Charging Authority is satisfied that relief from CIL would not constitute notifiable state aid.
24. In setting a CIL rate, the City Corporation has had regard to the Economic Viability Study, which has examined the potential to set a CIL rate whilst still delivering site specific mitigation measures (under s106 and s278), meeting Development Plan requirements for affordable housing and contributions towards training and skills provision, and meeting Mayoral CIL and London Plan s106 requirements for contributions towards the delivery of Crossrail. This evidence, together with the regulatory limitation, set out above, has led the City Corporation to conclude that it is not necessary at this time to offer exceptional circumstances relief. However, the City Corporation will keep this situation under review and may consider offering such relief in the event of a significant change in the economic viability of development or in response to future regulatory change. Given the scope within regulation to adjust s106 planning obligations in response to concerns over the impact on development viability, it is unlikely that any CIL exemption would be necessary in the City of London.

Enforcement

25. Regulations set out a range of measures that Collecting and Charging Authorities may take to ensure the payment of CIL, including surcharges on late payments and stop notices. The ultimate sanction is to seek a court's consent to seize assets or committal to prison.

Section 106 Planning Obligations

26. CIL is intended to replace much of the planning obligations mechanism for the funding of infrastructure, set out in section 106 of the Town and Country Planning Act 1990. Regulations prevent the double charging of CIL and s106 to fund the same piece of infrastructure. To reflect the changed approach, s106 planning obligations have been scaled back to cover:
- site specific mitigation, necessary to make a development acceptable in planning terms;
 - affordable housing;

- contributions to revenue projects, including training and skills provision;
 - non-financial requirements arising from the development plan.
27. Regulations limit the pooling of planning obligations towards infrastructure that is capable of being funded through CIL. From 6th April 2014¹, or the adoption of a CIL (whichever is the sooner), the pooling of 5 or more separate planning obligations to fund a specific piece of infrastructure will not be permitted. The exception to this pooling arrangement is s106 planning obligation contributions towards the cost of Crossrail under the Mayor of London's Crossrail s106 Supplementary Planning Guidance.
28. To ensure that CIL and s106 are not used to fund the same items of infrastructure, a Charging Authority is required to publish on its website a list of projects or types of infrastructure that it intends to fund wholly or partly through CIL – the **Regulation 123 List**. Guidance encourages early publication of this list to inform the CIL rate setting process and requires that it ~~This list~~ must be submitted as evidence to the CIL public examination, alongside proposals for the scaling back of existing s106 planning obligations. The Regulation 123 List can be updated as circumstances change without any requirement to update the CIL Charging Schedule, but any changes ~~charge. Any changes to the list~~ must be subject to public consultation.

Section 278 Highways Agreements

29. Section 278 Agreements are legal agreements between a developer and the local authority made under s278 of the Highways Act 1980. The agreements ensure that highways works necessary to make a development acceptable in principle are either undertaken by the developer directly or funded by the developer. As such they are a necessary cost on development and this should be factored into the viability assessment underpinning the CIL rate.

Mayoral CIL and s106 Planning Obligations

30. Under the Planning Act 2008, the Mayor of London has the ability to set a Mayoral CIL in addition to the City Corporation and the London boroughs. In accordance with CIL Regulation 14(3) the City Corporation and the boroughs are required to take the Mayoral CIL into account when setting their own CIL rates.
31. The Mayor has set a London-wide Mayoral CIL to raise £300m as a contribution towards the funding of Crossrail. In the City this Mayoral CIL is charged at a rate of £50 per sqm.
32. The Mayor has also adopted s106 Planning Obligations Supplementary Planning Guidance for Crossrail², which requires additional s106 planning obligations contributions to raise a further £300m towards the cost of the Crossrail project. Contributions are required for office, retail and hotel development, where there is a net increase in floorspace of 500 square metres or more. The Mayor initially published the Crossrail SPG in July 2010, requiring s106 planning obligations

¹ In May 2013 the Government consulted on CIL Further Reforms which proposed changing the date from which restrictions on s106 planning obligations would take effect, to April 2015

² Use of Planning Obligations in the Funding of Crossrail, and the Mayoral Community Infrastructure Levy, Supplementary Planning Guidance, April 2013

~~contributions where there was a net increase in development of 500 square metres or more, measured using Gross ~~External~~ Internal Area (GEAGIA), and at the following rates within the City of London:~~

- ~~• £137 140 per sqm for offices~~
- ~~• £88 90 per sqm for retail development~~
- ~~• £60 61 per sqm for hotels~~

~~33. These rates were used by the City Corporation's consultants in assessing the impact of the proposed City of London CIL on the viability of development. The Mayor has since published a revised Crossrail SPG (April 2013) which requires the increase in floorspace to be calculated on the basis of Gross Internal Area (GIA), to ensure consistency with national CIL Regulations. This has necessitated a technical amendment to the contributions rates, to recalibrate from GEA to GIA, but no substantive change has been made to the total liability due. Thus, the assessment undertaken by the City Corporation's viability consultants remains valid. The revised rates are:~~

- ~~• £140 per sqm for offices~~
- ~~• £90 per sqm for retail development~~
- ~~• £61 per sqm for hotels~~

34. Although regulations allow the Mayor to charge both Mayoral s106 and Mayoral CIL on the same development, to avoid making unreasonable demands on developers the Mayor has given a commitment to not double charge CIL and s106 on the same development. Mayoral CIL payments are treated as a credit towards any payment sought under Mayoral s106 where the Mayoral CIL charge is less than the Mayoral s106 charge. Where the Mayoral s106 charge is less than Mayoral CIL, the Mayor will not seek a Mayoral s106 contribution. The effect is that the total Crossrail contribution will be equivalent to the greater of the Mayoral s106 or Mayoral CIL payment.

35. The City Corporation strongly supports the construction of Crossrail and therefore supports the implementation of both the Mayor's CIL and his Crossrail s106 charge. In accordance with CIL Regulation 14 (3), the City Corporation has taken account of the Mayor's CIL rate and s106 rates in determining an appropriate CIL rate for the City of London. The proposed City of London CIL has, therefore, been set at a level which will ensure that development will also be able to meet in full the Mayor's requirements.

Administration Charges

36. Regulations allow both Charging and Collecting Authorities to retain a proportion of the CIL charge to cover the costs of administration of the charge. Charging Authorities are permitted to retain up to 5% of the CIL collected in any one year to cover administration costs. In the case of the Mayoral CIL, the City Corporation and London boroughs may retain up to 4% of the CIL, whilst the Mayor will retain up to 1%.

INFRASTRUCTURE NEEDS IN THE CITY OF LONDON

37. The City of London Core Strategy 2011 sets out plans for the future development of the City up to 2026 and beyond. Its key objective is to ensure that the City remains the world's leading financial and business services centre. Despite the low economic growth conditions of recent years, the City is expected to see renewed economic, employment and population growth in the medium term. The overall scale and phasing of development anticipated in the City over the period to 2026 is set out in Table 1:

Table 1: Indicative scale and phasing of growth 2011-2026

Land Use	2011-2016	2016-2021	2021-2026	Total 2011-2026
Offices	650,000m ²	250,000m ²	250,000m ²	1,150,000m²
Retail (A1-A5)	52,000m ²	44,000m ²	40,000m ²	136,000m²
Housing	667 units	430 units	550 units	1,647 units

*Retail figures relate to 2009-2016 period
Source: City of London Core Strategy, 2011

38. The City Corporation is preparing a Local Plan for the City of London which will combine the Core Strategy with more detailed development management policies. The draft Local Plan was subject to initial public consultation for 8 weeks between January and March 2013. Consultation on the Publication Draft Local Plan is scheduled to take place in Autumn 2013.

39. The Core Strategy (and emerging Local Plan) is supported by an Infrastructure Delivery Plan (IDP) which sets out the key elements of infrastructure necessary to support planned development. It has considered a range of infrastructure needs covering: energy and pipe subways, communications and IT, water resources and waste water, flood risk minimisation, waste management, transport and public realm improvements, open spaces, social and community provision, e.g. education, health provision and supported housing, and emergency services provision.

40. The IDP has been kept under review and been updated in light of emerging infrastructure requirements and particularly changes in the national and regional funding climate.

41. Table 2 summarises the broad items of infrastructure needed to support growth in the City up to 2026, the estimated costs of delivering this infrastructure, funding already secured or anticipated and the residual cost which may be funded in part through CIL. The full IDP is available on the City Corporation's website.

Table 2: Infrastructure Delivery Plan Summary

Type of Infrastructure	Cost	Funding Secured	Funding Gap	Timescale
Public realm enhancement strategies & Transportation improvements	£145m	£62.3m	£82.7m	2011-2026
Pipe subways	£50m - £70m	£0	£50m - £70m	Post 2016
Community facilities and supported housing	£16m	£3m	£3m	Unknown
Open space enhancement	£12.7m	£0	£12.7m	2011-2026
Education	£10m	£0	£10m	Unknown
Healthcare	£6m	£0	£6m	Unknown
Emergency services	£3.5m	£0	£3.5m	2011-2016
Play space	£170,000	£0	£170,000	Unknown
Flood risk alleviation	£25,000	£25,000	£0	2011-2016
TOTAL	£263.4m	£65.3m	£198.1m	

Source: City of London Infrastructure Delivery Plan, July 2013

42. CIL is not intended to replace mainstream service funding, or meet in full the cost of delivering necessary infrastructure, but is intended to help reduce the potential funding gap. In particular, the City Corporation anticipates that public realm enhancement projects (including transportation improvements) will continue to attract external funding from TfL, further reducing the potential future funding gap. Such funding will come forward through TfL's allocation processes and as the need for improvements arise, and it is not possible at this stage to identify the amounts that might be forthcoming within the City.
43. CIL rate setting has to have regard to the implications of the levy on the economic viability of development and should strike an appropriate balance between raising funds for investment in infrastructure and ensuring that development continues to come forward. As a result, it is unlikely that the City CIL will provide the sufficient funding to deliver all the identified infrastructure. Table 3 sets out estimates of future CIL revenue on an annual basis, assuming that development in the City comes forward at the rate set out in the Core Strategy. It suggests an average annual level of CIL income of approximately £6.8m after allowance for development already permitted before the introduction of CIL. This would produce an estimated total CIL income over the life of the Core Strategy (from CIL implementation in 2014 to Core Strategy end date in 2026) of £81.7m.

Table 3: Potential Annual Average City CIL Revenue 2013 - 2026

<u>Land Use</u>	<u>Annual Floorspace Requirement (sq m)</u>	<u>CIL Rate</u>	<u>Estimated Annual CIL Revenue</u>
Office	78,600	£75	£5,900,000
Retail	7,700	£75	£581,000
Residential	3,500	£95	£332,000
TOTAL			£6,813,000

44. The IDP identifies key elements of infrastructure necessary to implement the City's Core Strategy and emerging Local Plan in full and the identified funding gap justifies the use of CIL to help bridge that gap. The IDP and Table 2 do not represent a list of CIL spending priorities. These priorities will be set by the City Corporation having regard to service delivery and corporate priorities, national service standards, central Government funding allocations, the infrastructure needs identified in the IDP and the availability of other funding sources and opportunities. The City Corporation will develop a specific procedure for the governance and the spending of CIL receipts in accordance with its spending priorities to and this will be published on its website. Proposals for CIL governance will also be made available in time for the Public Examination into the CIL to inform the Inspector and provide participants with information on how the City Corporation intends to implement the CIL to address infrastructure needs.
45. In line with the regulations, the City Corporation will also use s106 planning obligations to mitigate the impact of development to ensure it is acceptable in planning terms, to ensure continued funding for affordable housing (from both commercial and residential schemes) and training and skills provision in the City and City fringe, and to deliver non-financial requirements, such as the City's Local Procurement Initiative. S106 planning obligations requirements will be set out in a Planning Obligations Supplementary Planning Document which will be progressed alongside the CIL. An Issues and Options consultation for this draft SPD, setting out how the City Corporation's existing Planning Obligations SPG will be scaled back with the introduction of the CIL, is being was undertaken alongside the Preliminary Draft Charging Schedule Consultation, to provide clarity on the combined impact of CIL and s106 planning obligations. No specific comments were received on the proposed levels of s106 planning obligations, although the City Corporation was asked to provide more information on the delivery of affordable housing through the s106 process to meet the requirements of the Statutory CIL Guidance. Further information on affordable housing delivery has therefore been set out below.
46. The draft s106 SPD document will be made available again alongside the CIL Draft Charging Schedule to provide clarity on the total level of CIL and s106 requirements proposed by the City Corporation. A full draft Planning Obligations Supplementary Planning Document will be published for consultation later in 2013, and will inform the Public Examination into the CIL. The City Corporation intends to adopt a scaled back s106 Planning Obligations SPD alongside the CIL in 2014.

CITY OF LONDON S106 PLANNING OBLIGATIONS SUPPLEMENTARY PLANNING GUIDANCE

47. The City Corporation currently seeks developer funded contributions towards infrastructure provision through its 2004 Planning Obligations Supplementary Planning Guidance (SPG). The SPG seeks contributions at a rate of £70 per square metre on commercial development, where there is 10,000 square metres gross total floorspace and an uplift of at least 2,000 square metres. The £70 is normally distributed according to City Corporation priorities as follows: 50% local community facilities and the environment, 30% affordable housing, 15% transport improvements and 5% training and skills initiatives in the City and City fringe.
48. Affordable housing contributions are also sought from residential development, in line with adopted Core Strategy policy CS21, at a rate of 30% of the residential development on-site, or exceptionally an off-site commuted sum equivalent to 60% of the development.
49. At 31st March 2012, a total of 74 s106 obligations had been signed, with a total potential value of £116.1m. Payments are triggered by development proceeding and at that date, including interest accrued on payments, a total of £68.3 £72.6m had been received. Table 4 3 sets out the split in received s106 monies and variance from the SPG indicative percentages: summarises the overall position:

Table 34: s106 receipts by infrastructure category at 31st March 2012

SPG Category	Total Value £m	Total Value % Approved & Spent £m	SPG % Approved but not yet spent £m	Difference % Balance £m
Local Community Facilities and the Environment	29.7 32.0	43 13.2	50 6.2	-7 12.6
Affordable Housing	21.3 22.1	34 4.3	30 3.0	+1 14.8
Transportation Improvements	14.8 15.8	22 5.7	15 1.3	+7 8.8
Training and Skills	2.5 2.7	4.0 2.0	5 0.3	-1 0.4
Total	68.3 72.6	100 25.2	100 10.8	0 36.6

50. The payments received reflect the detailed provisions of signed s106 planning obligations agreements signed between the City Corporation and developers. These agreements identify how the agreed funds should be spent. The balance of £36.6m, although not yet allocated to a specific project, is nevertheless subject to the provisions of signed s106 agreements and will help deliver work programmes and projects in accordance with these signed agreements. This includes funding for a number of public realm schemes identified in the Infrastructure Delivery Plan, such as development of the Bank Area Strategy, the Aldgate & Tower Area Strategy (including removal of the Aldgate Gyratory), and projects in the Eastern City Cluster and St Helen's Square.
51. In terms of affordable housing, s106 monies have funded the delivery of 18 properties within the City of London and a further 15 properties outside of the City. The City Corporation has an active programme of further affordable

housing delivery over the next 10 years, including two schemes currently in progress – 24 units of affordable housing on the Middlesex Street Estate within the City and 43 units on the One Tower Bridge scheme just outside of the City.

VIABILITY APPRAISAL

52. The City Corporation commissioned Gerald Eve to undertake an area-wide economic viability study to look at the potential impact of CIL on the viability of development within the City. Gerald Eve were asked to:
- provide advice on an appropriate range of potential CIL rates and their impact on development viability;
 - advise on the potential for differential rates of CIL for different land uses and different areas of the City;
 - engage with active developers, investors, property agents and landowners.
53. The following paragraphs summarise the methodology and key findings from the viability study. The proposed CIL rates are set out in the ~~proposed Preliminary~~ Draft CIL Charging Schedule. A full copy of the viability study is available on the City Corporation's website at www.cityoflondon.gov.uk/cil.
54. A key element of the study was a requirement to liaise closely with the development industry, landowners, investors and agents within, or with interests in, the City to provide an opportunity to input into the methodology, provide information on City specific costs and values and to provide feedback on initial outcomes. The aim has been to ensure, as far as is possible, a widespread acceptance of the viability information prior to the rate setting process. This has been delivered through a series of stakeholder workshops, meetings with individual stakeholders and through questionnaires.
55. The consultants have adopted a bespoke residual valuation model to test the viability of the potential CIL, in line with best practice guidance issued by the Royal Institution of Chartered Surveyors (August 2012) and the Local Housing Delivery Group (June 2012). Due to the complexity of the City development market, outputs from the modelling have been assessed in terms of development return, rather than residual land value.
56. In modelling the potential impact of CIL on development, the consultants have looked at approximately 150 proxy development sites, identified on the basis of completed developments and outstanding permissions in the City over the past 10 years. These proxy sites were then assessed in terms of current day values and costs, taking on board variations in rents and land values across the City, including voids and rent free periods. Assumptions were made about future values and costs based on an average of expert commentator growth assumptions.
57. The modelling assumes that development is both policy compliant with respect to the adopted Core Strategy and emerging Local Plan and the London Plan, and is constructed to a high standard. It assumes that the Mayoral CIL and

Mayoral Crossrail s106 and City of London s106 requirements, including site specific mitigation through s106 and s278 agreements, will continue to be delivered. The contribution rates assumed for modelling purposes are set out in Table 5.4:

Table 4 5: Assumed levels of planning contributions in CIL modelling

Other Types of Contribution Assumed	Rate (per sqm)
Mayoral CIL to part fund Crossrail	£50
Mayoral s106 to part fund Crossrail	£137-140 offices; £88-90 retail; £60-61 hotels (discounted to allow for Mayoral CIL liability)
City s106 for affordable housing from commercial development	£21
City s106 for training and skills provision	£3.50
City s106 for affordable housing from residential development	30% on-site or 60% off-site
City s106/s278 for site specific mitigation	Site specific

~~Note: Mayoral s106 rates have been recalibrated in the Mayor's April 2013 Crossrail SPG to reflect a change in the method of calculating floorspace from Gross External Area to Gross Internal Area. Whilst the headline rates have changed, the change in floorspace calculation means there is no substantive change in the s106 liability. The revised rates are £140 offices, £90 retail and £61 hotels~~

58. The modelling has assumed implementation of CIL rates over a period of approximately 5 years before review. This reflects the greater uncertainty when projecting values and costs and development trends further ahead. It also coincides with the expected completion date for Crossrail, at which point the existing Mayoral CIL and Mayoral s106 may cease to be applied for Crossrail funding purposes.
59. The key findings from the viability study are:
- the City is a highly dense area of development, dominated by offices reflecting its world financial centre status, whilst having a unique setting defined by its historical location and constraints on development;
 - the stakeholder consultations supported a single CIL rate across the City with commensurate longevity to create the certainty that is essential for continued investment;
 - office returns can exhibit high levels of volatility during the market cycle; returns vary but not significantly in an area-wide context;
 - high land values are intrinsic to the City with underlying asset value levels a key to investor confidence in bringing forward development;
 - other commercial uses such as hotels and retail (and uses such as student accommodation) are a fraction of overall development and a separate CIL rate is not considered appropriate;
 - residential is an “emerging” market in the City, with prices comparable to prime central London and with commensurate international market interest;
 - residential in riverside locations can give rise to super and ultra prime levels and are therefore capable of sustaining a differential CIL rate to that of prime residential which is more akin to commercial capital value levels.

60. The consultants recommended that a single rate of CIL be adopted for commercial land uses across the City. A single rate is also recommended for residential development, with the exception of development on the riverside, where the economics of development support a higher rate of CIL. The consultants' recommendations are in the form of a range of CIL rates. Their report indicates that setting CIL rates within these ranges will not adversely impact on the viability of development across the City or prejudice the achievement of the floorspace targets in the City's Core Strategy and emerging Local Plan.
61. The viability study was undertaken with a base date of January 2013. Gerald Eve have provided a commentary, dated July 2013, on changes in the City development market and their impact on CIL viability since this initial study was undertaken. This study concludes "Following the market review ... we are of the opinion that the market has not changed sufficiently since our initial report to require any alterations to the assumptions adopted in our CFVA and financial model." A copy of the commentary is available on the City Corporation's website at: www.cityoflondon.gov.uk/cil.

MONITORING AND REVIEW

62. In accordance with the regulations, the City Corporation will report annually, by 31st December, on:
- the total CIL receipts in each financial year;
 - the total CIL expenditure in each financial year;
 - summarised details of CIL expenditure in each financial year;
 - the total amount of CIL receipts retained at the end of each financial year.
63. Annual reporting will also be undertaken to show total s106 receipts and spend for both Mayoral and City Corporation priorities.
64. The City Corporation will monitor both the City CIL and s106 requirements to ensure that the combination of the City and Mayoral CIL and City and Mayoral s106 does not have an adverse impact on the general viability of development in the City. Unless monitoring suggests that an interim review is needed the City Corporation will review City CIL and s106 rates during 2018/19.
65. Where the viability of an individual development is adversely impacted by a combination of the City and Mayoral CIL and City and Mayoral s106 planning obligations, as demonstrated by a site specific viability appraisal, the City Corporation will consider the scope to reduce either, or both, the City s106 and Mayoral s106 requirements to improve scheme viability.
66. In May 2013, the Government consulted on further reforms to CIL Regulation, including possible changes to the regulations governing exceptional circumstances relief. In the event that these changes are implemented, the City Corporation will consider whether there is scope to offer exceptional circumstances relief and, if necessary, make provision for such relief.

PROPOSED PRELIMINARY DRAFT CIL CHARGING SCHEDULE

The Charging Authority

The City of London Corporation is a charging authority for the Community Infrastructure Levy for the purposes of Part 11 of the Planning Act 2008 (as amended).

Schedule of Rates

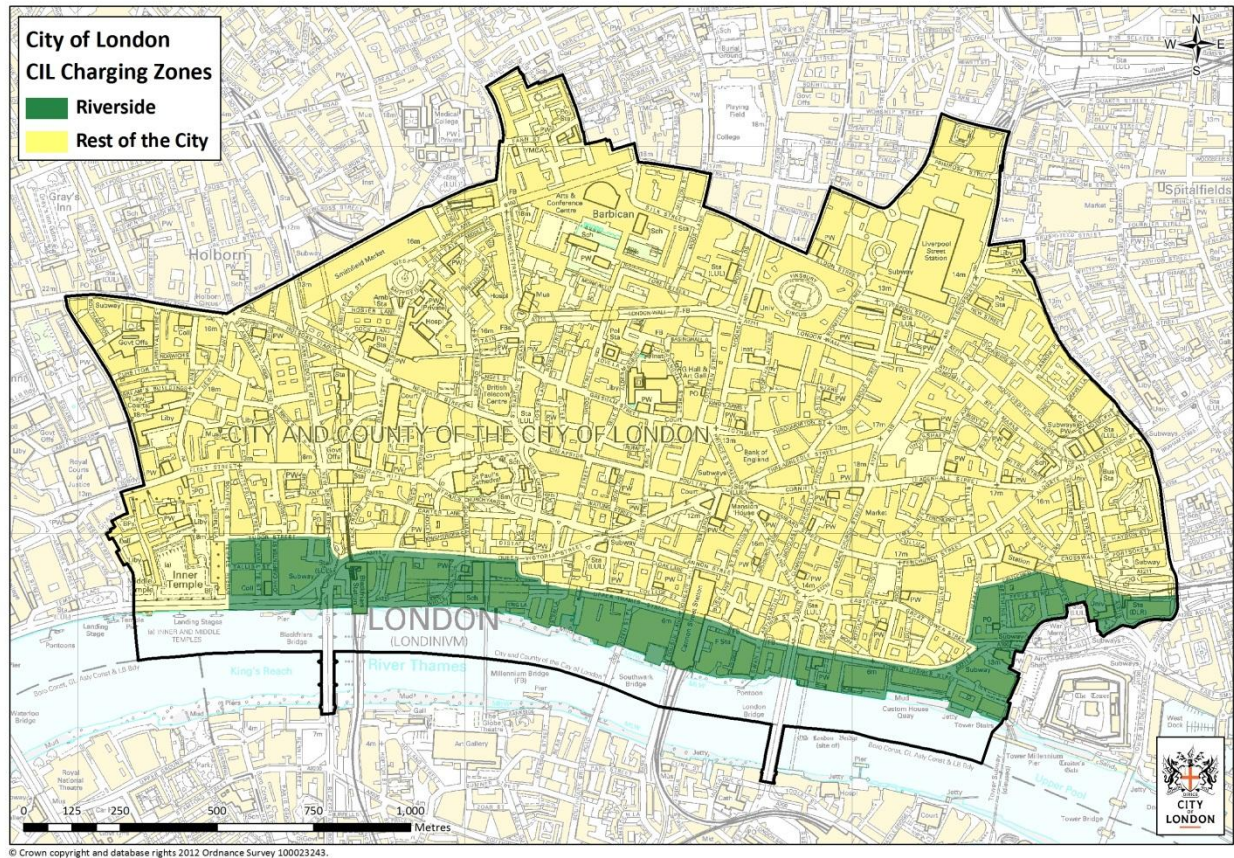
The City of London Corporation proposes to charge CIL in respect of development in the City of London at the following rates (expressed as pounds per square metre net additional floorspace, gross internal area):

Table 1: City of London CIL Charging Zones and Rates

Land Use	Zone	CIL Rate (£ per m²)
Offices	City-wide	£75
Residential	Riverside	£150
Residential	Rest of City	£95
Development used wholly or mainly for the provision of medical or health services, except the use of premises attached to the residence of the consultant or practitioner	City-wide	Nil
Development used wholly or mainly for the provision of education as a school or college under the Education Acts or as an institution of higher education	City-wide	Nil
<u>Development used wholly or mainly for the operational purposes of the emergency services</u>	<u>City-wide</u>	<u>Nil</u>
All other uses	City-wide	£75

Relevant zones are shown on the CIL Charging Zones Map.

Figure 1: CIL Charging Zones



The amount to be charged for each development will be calculated in accordance with Regulation 40 of the Community Infrastructure Levy Regulations 2010 (as amended). For the purposes of the formulae in paragraphs (5) and (6) of Regulation 40 (set out in Annex 1), the relevant rate (R) is the rate for each charging zone shown in Table 1.

As set out in Part 5 of the Community Infrastructure Levy Regulations 2010 (as amended), the above CIL rates shall be tied to the Royal Institution of Chartered Surveyors “All In Tender Price Index”; the rate of CIL charged will therefore alter depending on the year planning permission for the chargeable development is first granted.

Scope of CIL

CIL will be chargeable on the net additional floorspace (gross internal area) of all new development apart from those exempt under Part 6 of the Community Infrastructure Levy Regulations 2010 (as amended). Those exempt from the charge are as follows:

- developments where the gross internal area of new build on the relevant land will be less than 100 square metres (does not apply where development will comprise one or more dwellings);

- buildings into which people do not normally go, or go into only intermittently for the purpose of inspecting or maintaining fixed plant or machinery;
- buildings owned by charities and used wholly or mainly for a charitable purpose*;
- those parts of a development used for social housing*.

*Applications for charitable or social housing relief must be submitted to the City Corporation in accordance with Part 6 of the Community Infrastructure Levy Regulations 2010 (as amended).

Discretionary relief

Part 6 of the Community Infrastructure Levy Regulations 2010 (as amended) provides for discretionary relief from CIL for exceptional circumstances. The proposed CIL rates in this charging schedule have been informed by a detailed viability study, which has demonstrated that a combination of the CIL, scaled back s106 planning obligations and reasonable site specific mitigation should not have an adverse impact on the general viability of development across the City. Where issues of viability arise and are supported by a verified viability appraisal, the City Corporation will consider the potential for reductions in both City and Mayoral s106 planning obligations. The City Corporation does not therefore propose to offer any other discretionary or exceptional relief from CIL. If there is a more general issue over viability then that will be addressed through monitoring and review of the CIL rates.

Payment Instalments

In line with Regulation 70 of the Community Infrastructure Levy Regulations 2010 (as amended), payment of the City and Mayoral CIL should be made in ~~full at the end of a period of 60 days from the intended date of commencement, or in accordance with any instalment policy which is applied by the Mayor~~ accordance with the following categories:

- Where the payable amount of CIL is £500,000 or less, the whole amount shall be paid in a single instalment not more than 60 days after commencement of the development.
- Where the payable amount is more than £500,000, developers have the option to pay two instalments:
 - The greater of £500,000 or half the value of the total payable amount 60 days after commencement, and
 - The remainder 240 days after commencement.

Mayoral CIL

In accordance with Regulation 10 of the Community Infrastructure Levy Regulations 2010 (as amended), the City Corporation is a collecting authority for the Mayoral CIL. This is currently set at a level of £50 per square metre and will be levied in addition to the proposed City of London CIL rates.

Statutory Compliance

This Charging Schedule has been issued, approved and published in accordance with the Community Infrastructure Levy Regulations 2010 (as amended) and Part 11 of the Planning Act 2008.

This Schedule was approved by the Court of Common Council of the Mayor and Commonalty and Citizens of the City of London on

This Schedule takes effect on

Annex 1

Extract from the Community Infrastructure Levy Regulations 2010 (as amended)

Calculation of chargeable amount

- 40.**—(1) The collecting authority must calculate the amount of CIL payable (“chargeable amount”) in respect of a chargeable development in accordance with this regulation.
- (2) The chargeable amount is an amount equal to the aggregate of the amounts of CIL chargeable at each of the relevant rates.
- (3) But where that amount is less than £50 the chargeable amount is deemed to be zero.
- (4) The relevant rates are the rates at which CIL is chargeable in respect of the chargeable development taken from the charging schedules which are in effect—
- (a) at the time planning permission first permits the chargeable development; and
- (b) in the area in which the chargeable development will be situated.
- (5) The amount of CIL chargeable at a given relevant rate (R) must be calculated by applying the following formula—

$$\frac{R \times A \times I_P}{I_C}$$

where—

A = the deemed net area chargeable at rate R;

I_P = the index figure for the year in which planning permission was granted; and

I_C = the index figure for the year in which the charging schedule containing rate R took effect.

(6) The value of A in paragraph (5) must be calculated by applying the following formula—

$$G_R - K_R - \left(\frac{G_R \times E}{G} \right)$$

where—

G = the gross internal area of the chargeable development;

G_R = the gross internal area of the part of the development chargeable at rate R;

E = an amount equal to the aggregate of the gross internal areas of all buildings which—

(a) on the day planning permission first permits the chargeable development, are situated on the relevant land and in lawful use; and

(b) are to be demolished before completion of the chargeable development; and

K_R = an amount equal to the aggregate of the gross internal area of all buildings (excluding any new build) on completion of the chargeable development which—

(a) on the day planning permission first permits the chargeable development, are situated on the relevant land and in lawful use;

(b) will be part of the chargeable development upon completion; and

(c) will be chargeable at rate R.

(7) The index referred to in paragraph (5) is the national All-in Tender Price Index published from time to time by the Building Cost Information Service of the Royal Institution of Chartered Surveyors; and the figure for a given year is the figure for 1st November of the preceding year.

(8) But in the event that the All-in Tender Price Index ceases to be published, the index referred to in paragraph (5) is the retail prices index; and the figure for a given year is the figure for November of the preceding year.

(9) Where the collecting authority does not have sufficient information, or information of sufficient quality, to enable it to establish—

(a) the gross internal area of a building situated on the relevant land; or

(b) whether a building situated on the relevant land is in lawful use,
the collecting authority may deem the gross internal area of the building to be zero.

(10) For the purposes of this regulation a building is in use if a part of that building has been in use for a continuous period of at least six months within the period of 12 months ending on the day planning permission first permits the chargeable development.

(11) In this regulation “building” does not include—

(a) a building into which people do not normally go;

(b) a building into which people go only intermittently for the purpose of maintaining or inspecting machinery; or

(c) a building for which planning permission was granted for a limited period.