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London Borough of Merton,
Strategic Planning and Research,
Future Merton Team,
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London Road,
Morden
SM4 5DX

21 March 2012

By e-mail and post

Dear Sir/Madam

RE. COMMUNITY INFRASTRUCTURE LEVY – LB MERTON PRELIMINARY DRAFT CHARGING SCHEDULE

Further to the publication of the above document, the following comments are made on behalf of St James Group Ltd (part of the Berkeley Group).

LB Merton CIL Viability Assessment – January 2012

The CIL Viability Assessment (Jan 2012) prepared by Roger Tym & Partners includes a detailed assessment of viability for new residential development through as series of hypothetical development appraisals. Having reviewed the underlying assumptions used within the appraisals (i.e. build costs, professional fees, etc) we would like to put forward the following comments:

- **Build Costs**
  - It is difficult to assess whether the level of the rates set out within the assumptions take account of the exceptional (abnormal) development costs often associated with brownfield development. Given that the rates appear relatively low we assume that they do not. Furthermore, the low build costs appear not to take into account the uplift in specification required for properties in areas expected to achieve higher sales revenues (such as Wimbledon).
  - Since the adoption of the London Plan in 2011 all new housing is required to achieve Code Level 4 and this is reflected in the Council's own Core Strategy. As such, the assumed build costs should account for the additional costs associated in delivering this policy requirement.

- **Professional Fees**
  - The level of professional fees has been limited to 8% of the overall development costs. However, it is unclear whether this covers both pre and post planning costs which combined could rise to a higher figure (up to 15%) depending on the type of development.

- **Profit**
  - When preparing affordable housing viability appraisals in accordance with the GLAs guidance, developer margin is calculated at 17% of GDV and 6% of development costs. Instead the Assessment uses a lower profit margin of 20% of development costs.

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- **Affordable Housing Rents**
  - Has the assumption that affordable rents will be allowed to be charged up to 65% of market rent been formally adopted by the Council? Other London Boroughs have expressed concerns that rents of this level will not be appropriate particularly in high value areas because they will not be affordable.

Proposed Charges
Whilst the Viability Assessment recommends charges against residential development of £275/sqm in Wimbledon; £100/sqm in Raynes Park & Colliers Wood; and £30/sqm in Mitcham & Morden the Council is proposing to increase each of these to £385/sqm in Wimbledon; £140/sqm in Raynes Park & Colliers Wood; and £42/sqm in Mitcham & Morden. The draft Charging Schedule provides a brief justification for the changes but given the potential shortfalls in the data used within the Viability Assessment set out above, these increases could detrimentally impact upon development viability. Furthermore, this impact would significantly greater if sales revenues were drop as highlighted in Table 5.6 of the Viability Assessment.

General Comments
We would also like to make the following general comments:

- **S278 Agreements**
  - Will the Council reimburse CIL charges against S278 works required for a development to avoid double counting or will these remain as site specific S106 costs?

- **Local CIL Expenditure**
  - Has the Council considered what meaningful proportion of CIL it intends to spend locally and how will this impact upon the Council's Regulation 123 list? What relationship will this have with site specific obligations/requirements which would normally be included within a S106 agreement?

- **Payment of CIL**
  - Will the Council allow payment of CIL via instalments or phasing arrangements to avoid large lump sum payments prior to commencement of development?

- **Charging Schedule Review**
  - We understand that the Council is intending to review its Charging Schedule every 5 years. However, in order to maintain an appropriate charging level which reflects current economic conditions, planning policy and development viability we would suggest this takes place every 2 - 3 years in line with the proposed Mayoral charge.

We trust the above is helpful and will be taken into account.

Yours faithfully