



The map shows the River Thames flowing through the London Borough of Richmond upon Thames. The river is highlighted in blue. Various parishes are marked with colored sunburst icons: Kew (yellow), Barnes (yellow), Richmond (pink), East Sheen & Mortlake (yellow), Whitton & Heathfield (pink), Twickenham (yellow), Ham & Petersham (light blue), Teddington & Hampton Wick (green), Hampton & Hampton Hill (orange), and Elmsbridge (light blue). Surrounding boroughs are labeled: Hounslow, Hammersmith and Fulham, Spelthorne, and Kingston.

# The approach to the Community Infrastructure Levy (CIL) in the London Borough of Richmond upon Thames

To be submitted together with the CIL Draft Charging Schedule for examination

September 2013

# **The Borough CIL will contribute towards the delivery of the Local Plan and support development of the area**

**This paper shows and explains how the Council's proposed CIL rates will contribute towards the implementation of the Local Plan and support the development of the area.**

**It also demonstrates that the proposed CIL rates will not threaten the ability to develop viably the sites and the scale of development identified in the Local Plan.**

**In particular, this paper shows:**

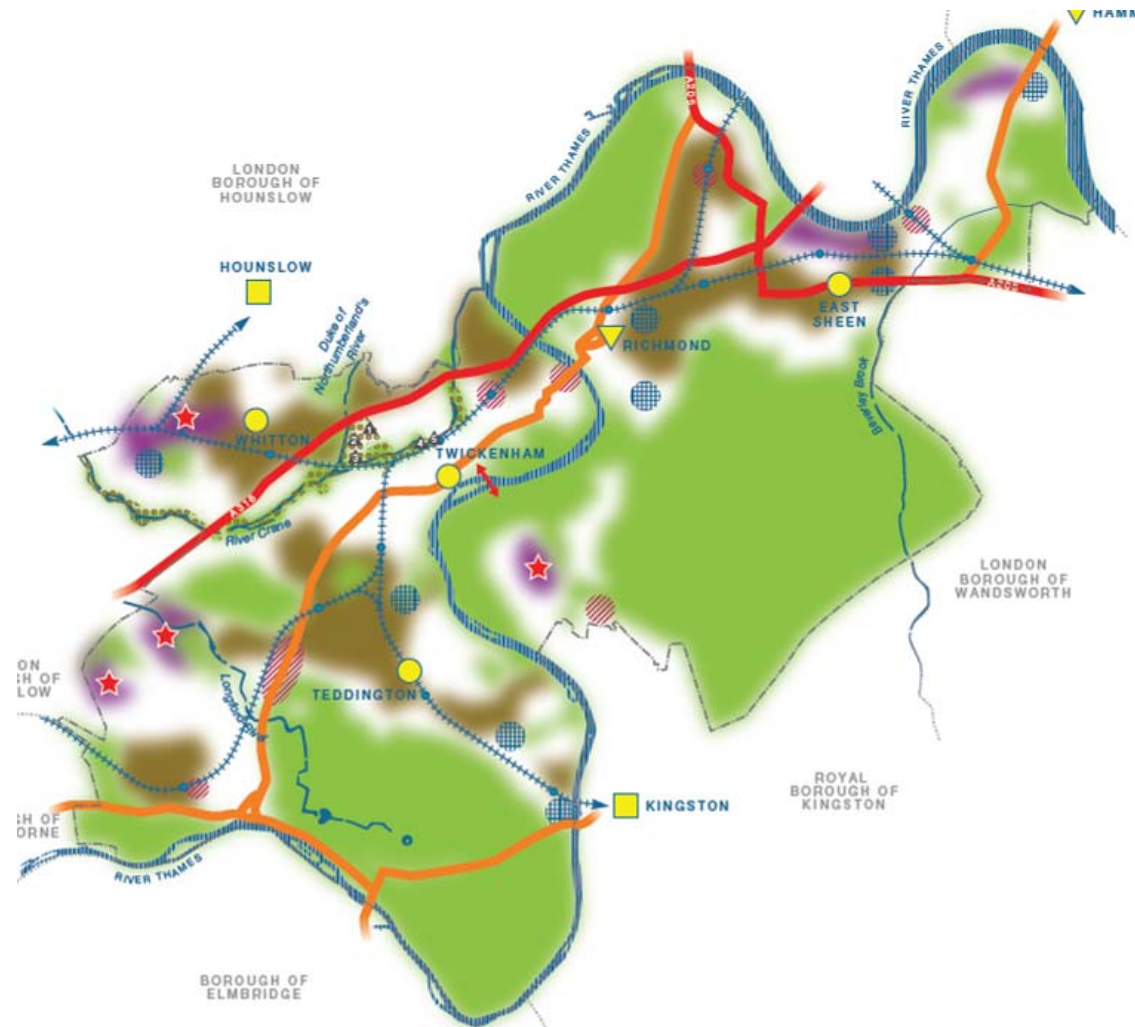
- How the Borough's CIL will have a positive economic effect on local development and growth across the borough;**
- That the anticipated growth and development will require significant investment in supporting infrastructure that is already at capacity;**
- That the proposed CIL rates are informed by and consistent with the evidence on economic viability; and**
- That the proposed CIL rates strike an appropriate balance between the desirability of funding infrastructure from the levy and the potential effects of the imposition of CIL on the economic viability of development across our area.**

# The Local Plan's Spatial Strategy

## The Local Plan's Spatial Strategy:

As set out in the Core Strategy 2009; Development Management Plan (DMP) 2011; Twickenham Area Action Plan (AAP) 2013; and saved UDP (2005)

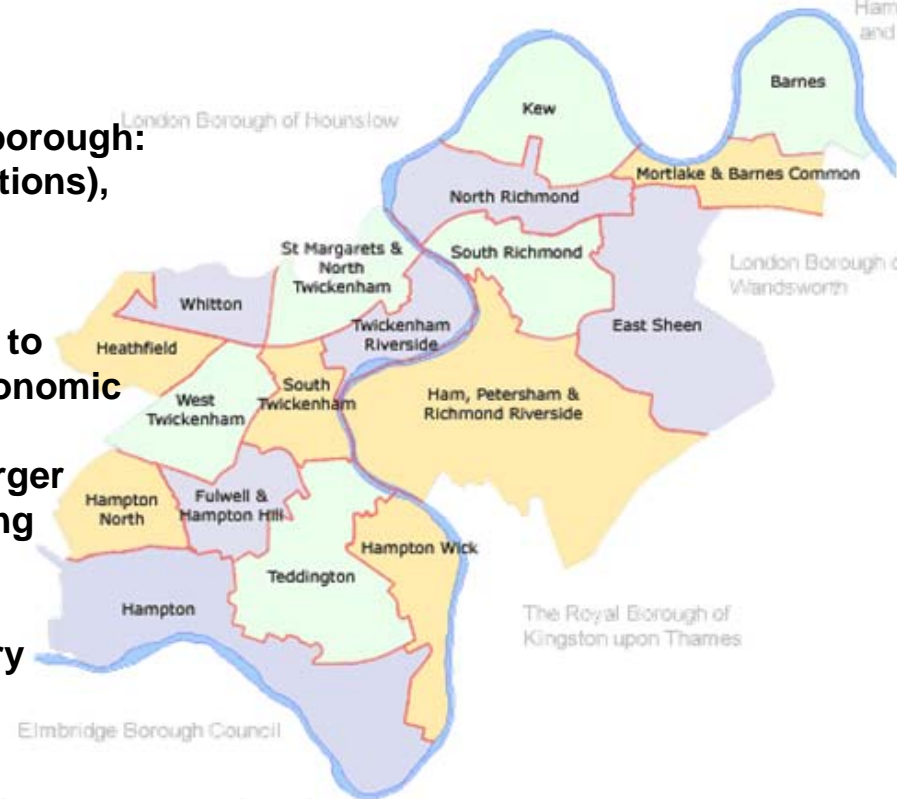
- **Strengthening town centres: Richmond, Twickenham, Whitton, Teddington, East Sheen – by concentrating business and commercial activities and higher density residential development**
- **Twickenham town centre: town centre subject to most change with the objective of regenerating the town centre**
- **Protecting many parts of the borough as open land (e.g. Metropolitan Open Land, Other Open Land of Townscape Importance etc.)**



# The Borough CIL will have a positive economic effect on local development and growth across the borough

## Delivering the Local Plan

- **New development will be distributed across the borough:**
  - small sites (over half new residential completions),
  - larger sites (usually under-utilised former employment sites)
- **Actively encouraging delivery and strategic sites to come forward for development in challenging economic circumstances, such as through**
  - Twickenham AAP; guidance for important larger sites that are key to its regeneration (including Twickenham Station and Former Post Office Sorting Office)
  - Site briefs for key sites, such as Stag Brewery in Mortlake and Latchmere House and HM Remand Centre in Ham
- **Site Allocations Plan, commenced with Call for Sites consultation in early 2013:**
  - Identify the interests of landowners, developers and the availability of key development sites
  - Draft Site Allocations Plan with a number of key development sites to be redeveloped, including some key employment sites and sports uses to be protected



➡ Growth is expected to be distributed across the borough

➡ There are no large sites critical to the delivery of the Local Plan

# Most growth will be residential

The Core Strategy identifies broad quanta and the spatial areas where growth is expected.

## Residential

Most development over the next 15 years will be residential development. The current London Plan target of **245 homes per annum** is being met. It is anticipated that this target will be increased in the Further Alterations to the London Plan (consultation draft expected in 2014). This development will be **across the borough**. Local plan policies identify priorities to meet specific local housing needs, although general needs affordable housing is often a greater priority than other types such as care homes, private sheltered accommodation.

## Business

In most recent years there have been losses of employment floorspace. The high relative value of residential suggest that this trend will continue and with offices to residential now being permitted development will increase (at least while there is this flexibility). The Council **encourages the development of modern high quality offices** and these are likely to be within **Richmond and Twickenham town centres and on the Richmond upon Thames College site in Twickenham**.

6.1.14 Future estimated increases in residential units, retail and employment floorspace to 2017/18, by area\*

Area (+ wards)	Residential* (net. inc in units, larger sites plus an allowance for small sites to nearest 100)	Employment** (net inc. in jobs to 2021)	Centre	Retail*** (net inc in sq m)
Richmond Ham, Petersham & Richmond Riverside	700-1,100	3,000	Richmond	8,000
Twickenham Twickenham Riverside St Margarets & N. Twickenham S. Twickenham W. Twickenham	700-1,100	2,500	Twickenham	400
Teddington + Hampton Hampton North Hampton Fulwell & Hampton Hill Teddington Hampton Wick	700-800	1,600	Teddington	300
East Sheen East Sheen Mortlake + Barnes Common Barnes	300	100	East Sheen	1,500
Whitton Whitton Heathfield	400	50	Whitton	600

\* Residential based on Local Housing Availability Assessment, large sites over 10 units gross only, there will be approx 1,700 units on smaller sites, locations not yet known.

\*\*Employment based on Roger Tym London Employment sites employment capacity forecast tables for GLA and subject to testing of site availability at Site Allocations stage.

\*\*\* Retail based on Retail Study of capacity and subject to testing of site availability at Site Allocations stage.

## Retail

There is an overall **potential for c. 12,900 sqm** (convenience and comparison) by 2021. 8,929 sqm is for comparison floorspace and this is likely to be concentrated in **Richmond town centre**. The UDP (2005) and draft Site Allocations Plan identifies **Richmond Station** as a major opportunity for mixed use town centre development including retailing. Small scale extensions to existing stores and conversions are more likely than new stores due to limited site availability across the borough.

## Other growth

Other growth will be in **educational facilities (schools), new health facilities and possibly new sports facilities** in the borough. There is also a commercial interest in the development of budget hotels although potential will be limited by site availability.

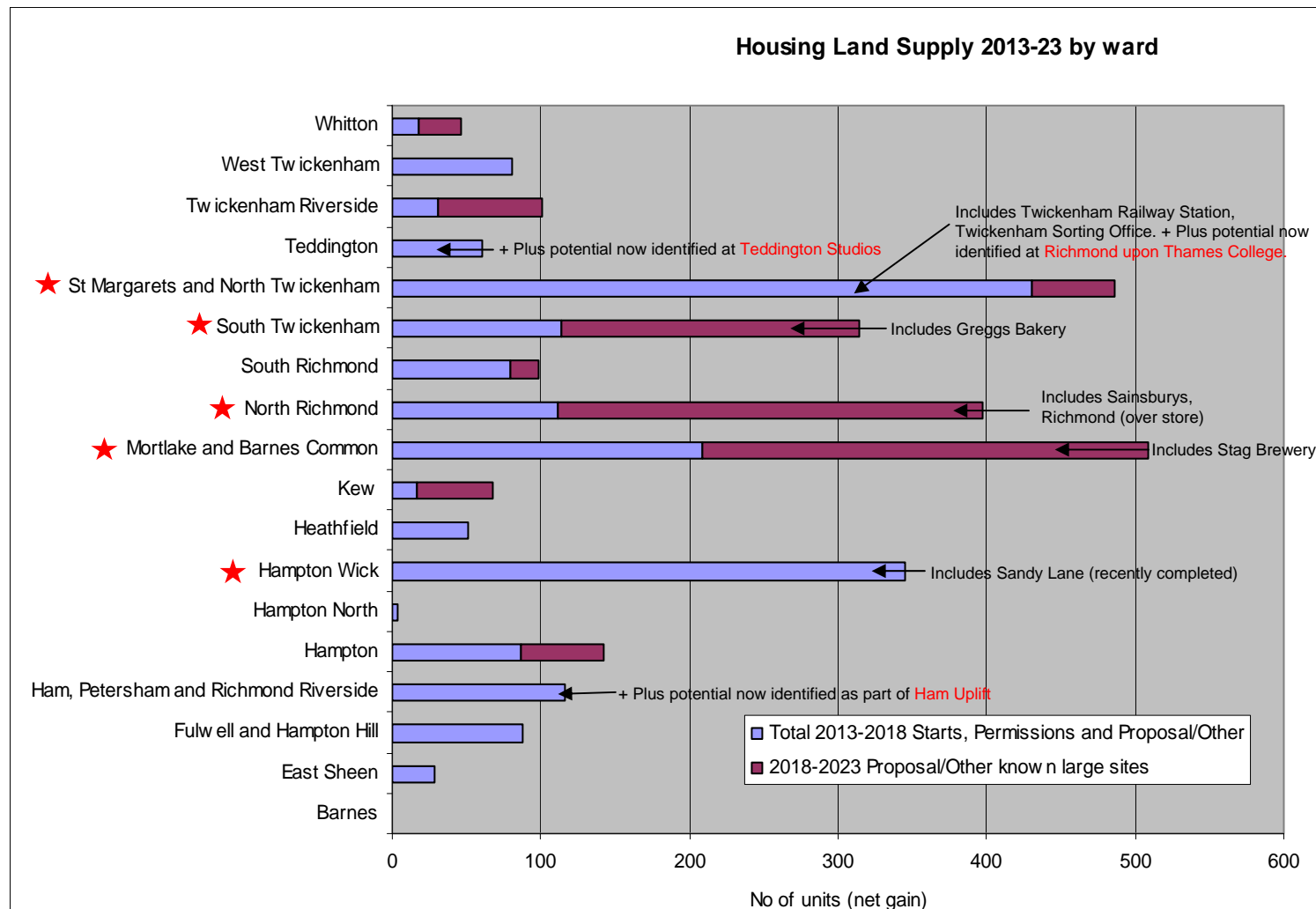
# Expected pattern of residential growth

The residential growth is across the borough – over the last five years, 158 units per annum have been completed on small sites spread across the borough (average completions have been 290 units) (AMR 2011/12).

Analysis of starts/permissions and identified proposal sites/other large sites during 2013-23 (AMR 2011/12) shows the **greatest concentration** of development will be in the wards of:

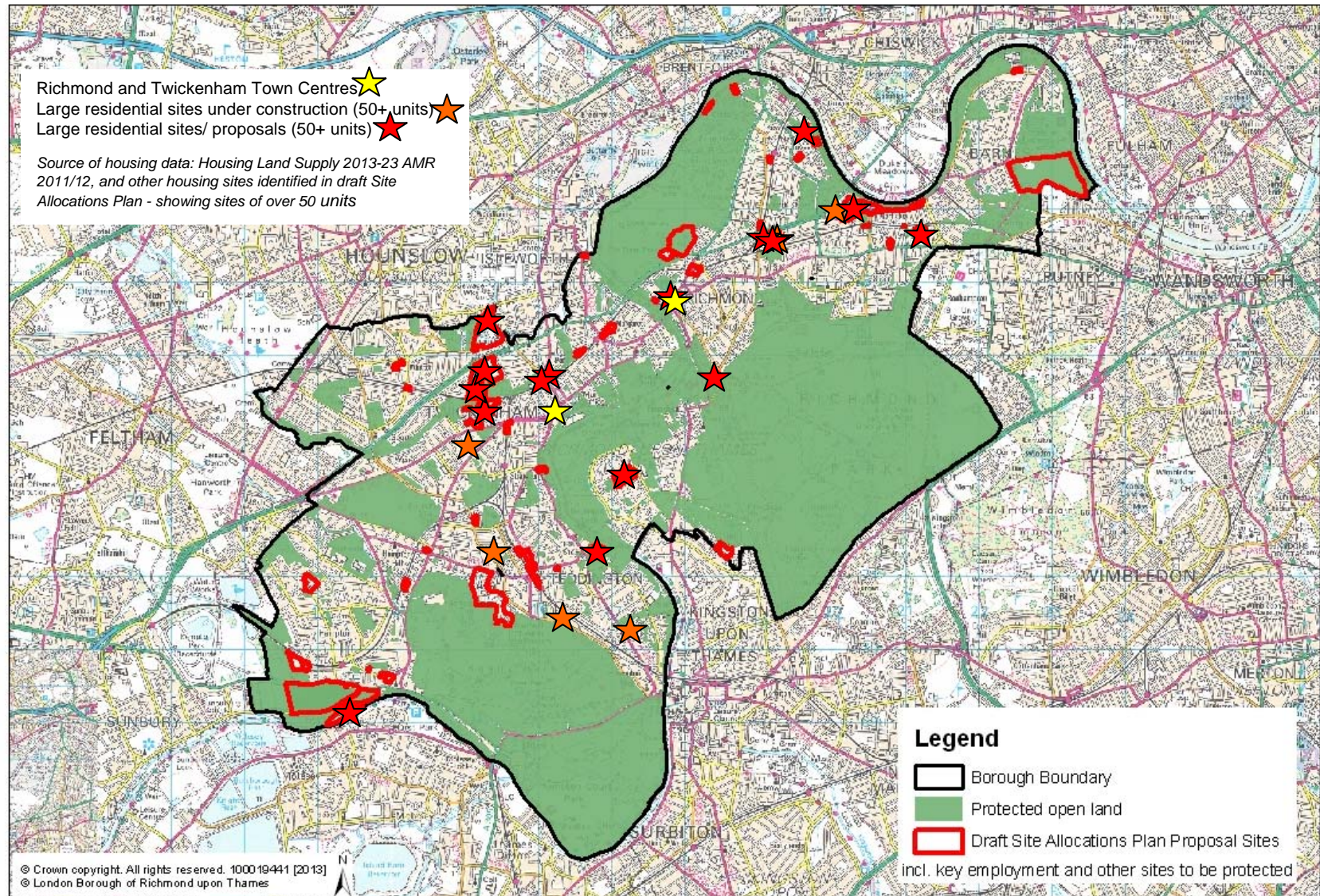
- Mortlake and Barnes Common (509 units),
- St Margaret's and North Twickenham (486 units),
- North Richmond (397 units),
- Hampton Wick (345 units) and
- South Twickenham (314 units).

Since the AMR, **new areas** for potential have been identified in the draft Site Allocations Plan at Richmond upon Thames College, Teddington Studios and Ham Uplift.





# Growth is expected to be distributed across the borough







# Significant investment in supporting infrastructure will be required to accommodate growth


## Infrastructure planning – appropriate available evidence


Extensive research on infrastructure needs in the borough:

- **Infrastructure Delivery Plan (IDP)**, April 2012: produced in consultation with the infrastructure and service providers operating in the borough; analyses and assesses
  - the existing infrastructure provision
  - the current shortfall
  - existing needs
  - future needs and demands to support new development and growing population

 Limited road and public transport capacity, intense pressure on education facilities, demand for community and leisure facilities
- **Infrastructure Delivery Schedule (IDS)**, published in October 2012, reviewed in May 2013:
  - Demonstrates the funding gap between what infrastructure is needed and what money is likely to be available for completion of that infrastructure

 Funding gap: at least £50m
- **Draft Regulation 123 List**, May 2013:
  - list of projects that the Council intends to wholly or partly spend CIL on
  - produced in cooperation with the Council's delivery partners

 Very constrained borough for accommodating growth

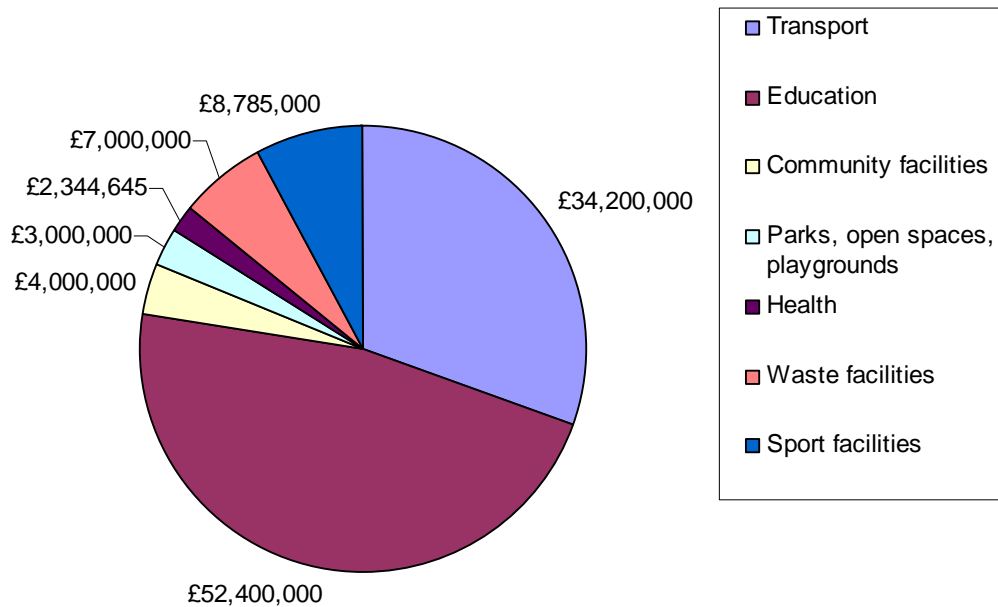
 Existing infrastructure is already at capacity

**CIL enables us to respond effectively to cumulative impacts of development**



# Infrastructure costs

**Total minimum capital costs for infrastructure  
(excl. any unknown costs)**



Infrastructure type	Costs*
Transport	£34,200,000
Education	£52,400,000
Community facilities	£4,000,000
Parks, open spaces, playgrounds	£3,000,000
Health	£2,344,645
Waste facilities	£7,000,000
Sport facilities	£8,785,000
<b>Total</b>	<b>£111,729,645</b>

\*Excluding any unknown costs

\*Based on the lowest figure where there was a range of costs

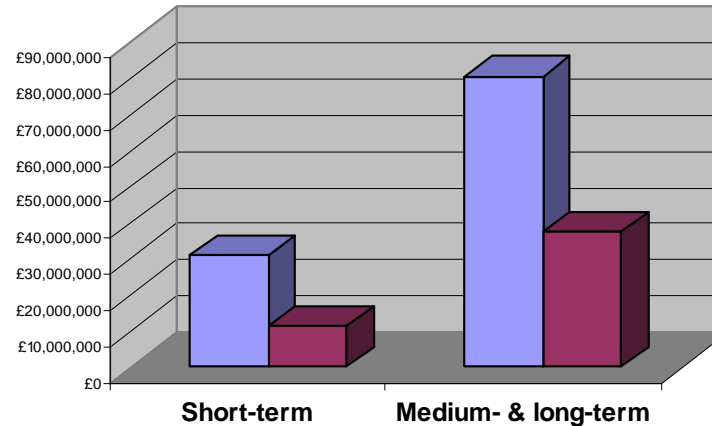
Source: Infrastructure Delivery Schedule, May 2013



**Education and Transport, both of which are already at stretched and at capacity, are the Council's infrastructure priorities**

# Timeline for required infrastructure

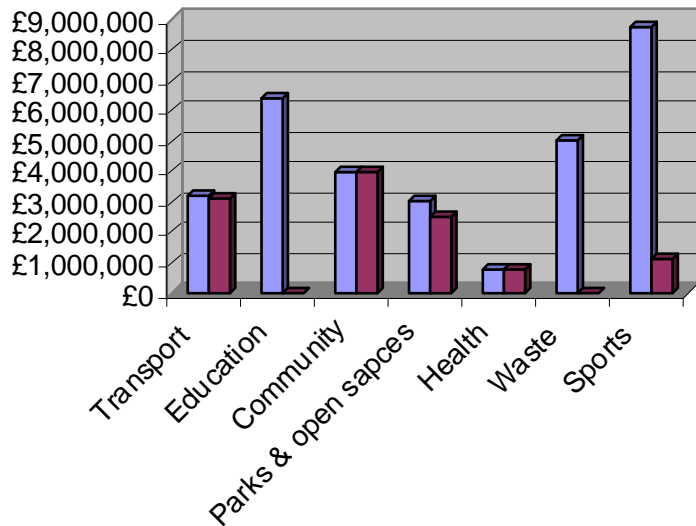
Overall costs and funding gap in the short-, medium- and long-term



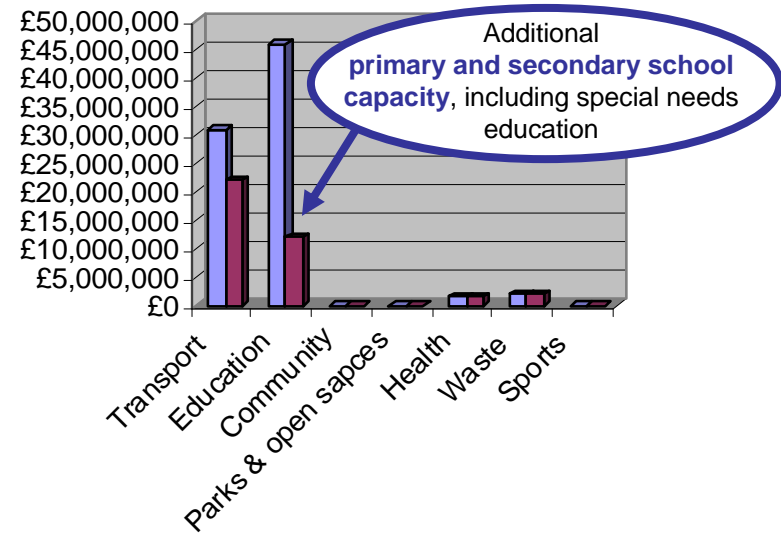
**Education – potentially significant funding gap in short-, medium- and long-term**

**Transport and education have the biggest costs and funding gaps**

Short-term (2014-2019)

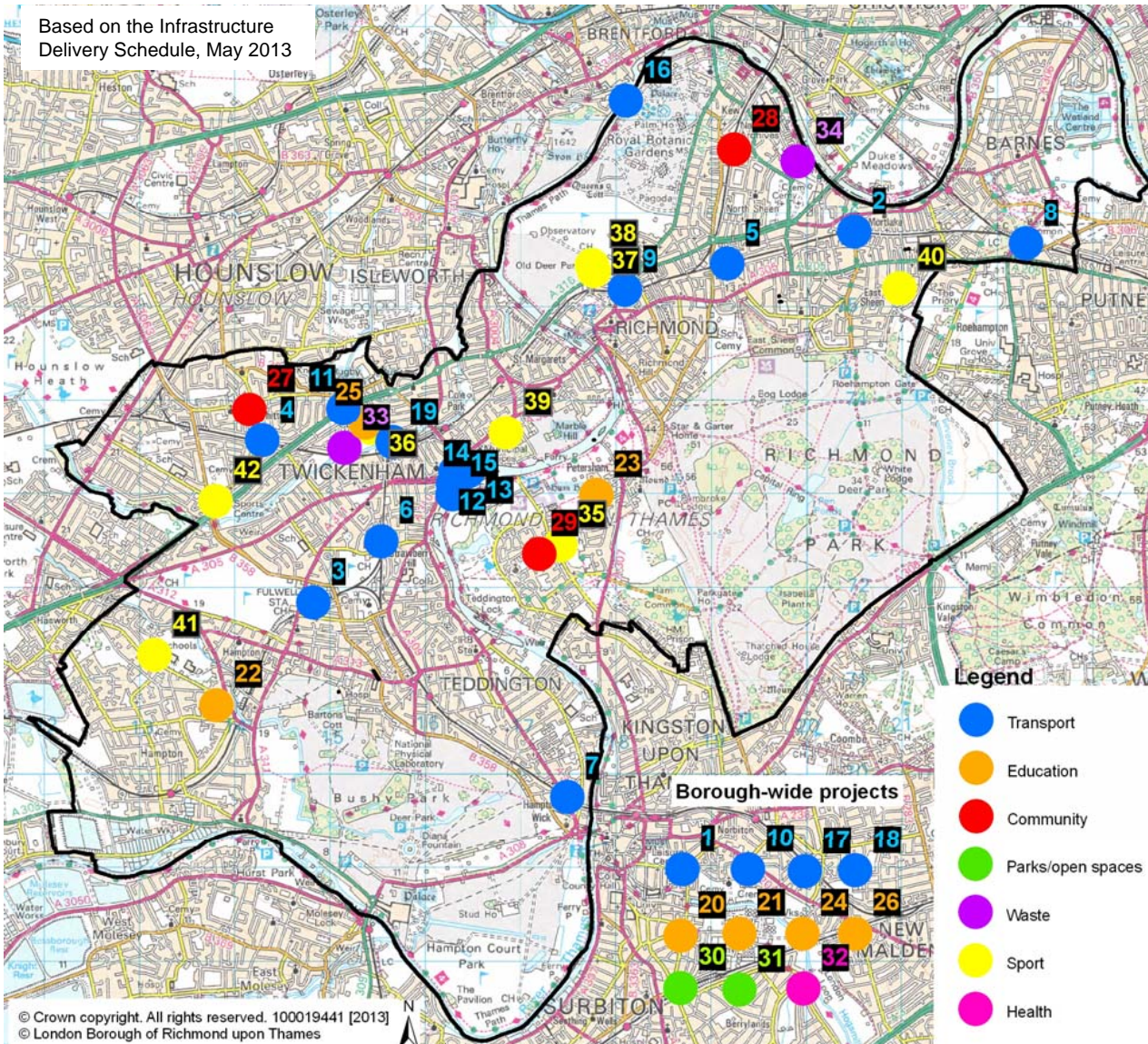


Medium- & long-term (2019-2029)



# Infrastructure requirements spread across the borough

Based on the Infrastructure Delivery Schedule, May 2013

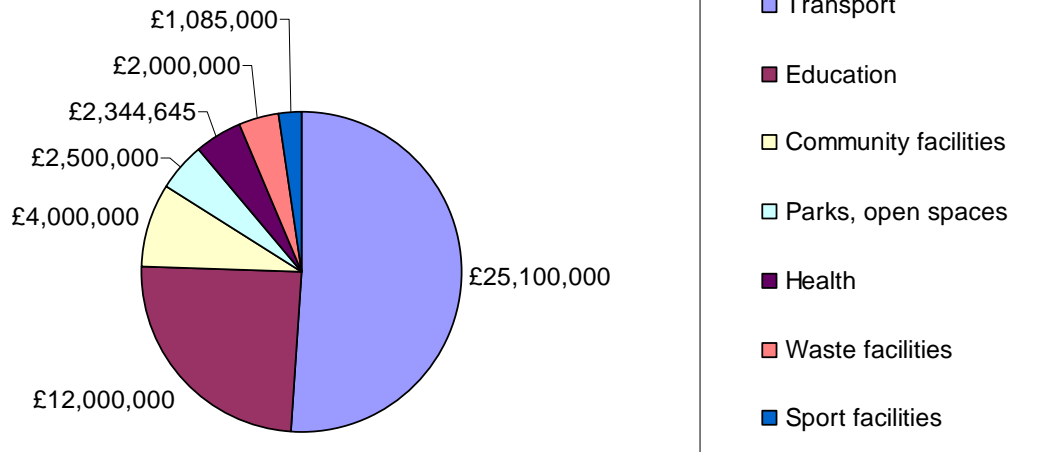


1	New rail signalling scheme
2	Mortlake rail station improvements
3	Fulwell rail station improvements
4	Whitton rail station improvements
5	North Sheen rail station refurbishment
6	Strawberry Hill rail station upgrade
7	Hampton Wick rail station upgrade
8	Barnes rail station refurbishment
9	Richmond rail station redevelopment
10	Rail access to Heathrow
11	Subway or tunnel under A316
12	Twickenham street scene and highways scheme
13	Thames River wall
14	Twickenham embankment landing stage
15	Foot-/cycle bridge
16	Footbridge
17	Complete network of cycle routes across Borough
18	Convert towpaths to shared use
19	River Crane corridor network improvements
20	Borough-wide primary school provision
21	Borough-wide secondary school provision
22	Reprovision of SEN Clarendon School at RuTC site
23	Relocate and improve SEN Strathmore School
24	Borough-wide special needs education provision
25	Redevelopment of Richmond upon Thames College
26	Borough-wide nursery and early years provision
27	Co-location of Whitton library and community centre
28	Co-location of Kew library with other facilities
29	Redevelopment of Ham community facilities
30	River Thames Towpath improvements, furniture, surfacing, trees
31	New provision of BMX, outdoor gym, water/adventure play etc
32	Borough-wide health care
33	Twickenham Depot improvements
34	Townmead Road recycling facilities upgrade
35	Community sports centre at Grey Court School
36	New Sports Hall at Richmond upon Thames College
37	Retractable roof for outdoor pool at Pools on the Park
38	Extension of fitness suite at Pools on the Park
39	Extension of fitness suite at Orleans Park Sports Centre
40	Extension of fitness suite at Sheen Sport & Fitness Centre
41	Upgrade of artificial turf pitch at Hampton Sport & Fitness Centre
42	Upgrade of artificial turf pitch at Whitton Sport & Fitness Centre



# The funding gap – at least £50m

Total minimum funding gap for required infrastructure  
(excl. any unknown gaps)



Infrastructure type	Funding gap*
Transport	£25,100,000
Education	£12,000,000
Community facilities	£4,000,000
Parks, open spaces, playgrounds	£2,500,000
Health	£2,344,645
Waste facilities	£2,000,000
Sport facilities	£1,085,000
<b>Total</b>	<b>£49,029,645</b>

\*Excluding any unknown gaps

\*Based on the lowest figure where there was a range of costs

Source: Infrastructure Delivery Schedule, May 2013

- ➔ **The minimum Funding Gap is at least £50 Million for the next 15 years.** It is likely to be much higher due to a range of costs and unknowns.
- ➔ **The largest funding gap has been identified for transport, followed by education**



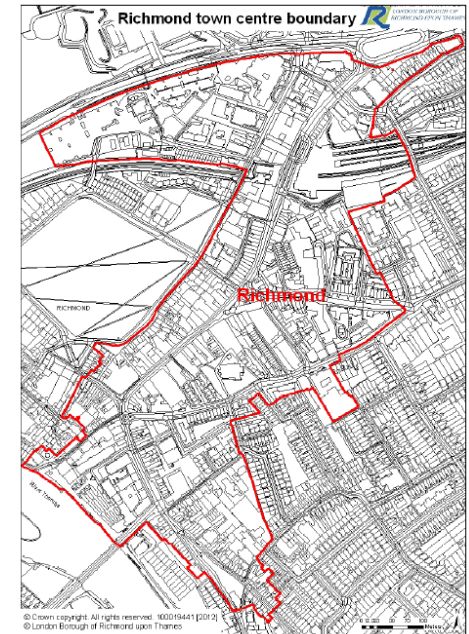
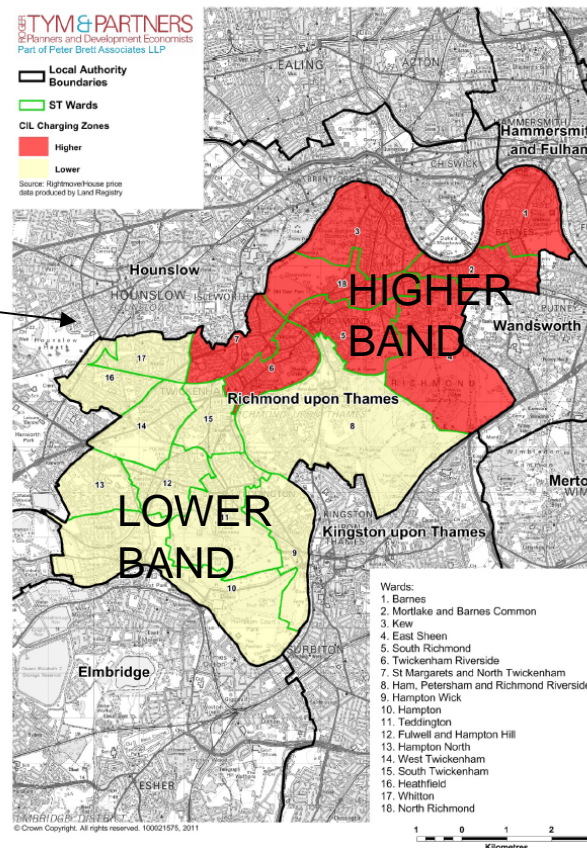
# Viability Analysis and consultation has been undertaken

The Council's approach to CIL follows the regulations and guidance. We have commissioned Peter Brett Associates to undertake the assessment of development viability to provide guidance in relation to proposed CIL rates. This assessment is based upon robust and credible assumptions.

As part of this work they considered the viability of residential, hotel, care homes, offices and studios, light industry, retail (convenience and comparison) and public services. The main development likely to come forward will be residential and the Council has accepted the Consultants' recommendations in relation to adopting a simple approach with **two** charging zones across the borough.

Following the consultation responses received on the Preliminary Draft Charging Schedule between 17 December 2012 and 28 January 2013 and the subsequent CIL Stakeholder workshop, the Council adopted a more cautious approach as set out in the Draft Charging Schedule published in July 2013. The Council **reduced** the rate of levy proposed for residential in the higher band area from £275 to £250 per sqm, and in the lower band area from £210 to £190 per sqm.

Figure 6.6 Charging zone boundaries



The Consultants recommended different rates for **Richmond town centre** for some commercial uses.



Two residential charging zones; separate rates for some commercial uses in Richmond Town Centre

# CIL rates significantly below the theoretical maximum

Development Type	PDCS charge (£/psm)	DCS charge (£/psm)		Theoretical max viable CIL (£/psm)	CIL as % of theoretical max CIL	CIL as % of sale price (psm)
Residential development (higher band)	£275	↓ £250	Most viable scenario (50 houses)	£940	27%	4%
	£275	↓ £250	Least viable scenario (5 flats)	£369	68%	4%
Residential development (lower band)	£210	↓ £190	Most viable scenario (10 flats)	£656	29%	4%
	£210	↓ £190	Least viable scenario	£315	60%	4%
Offices inside Richmond Town Centre	£25	→ £25		£140	18%	1%
Offices outside Richmond Town Centre	£0	→ £0		-£800	n/a	n/a
Light industrial space	£0	→ £0		-£195	n/a	n/a
Retail (wholly or mainly convenience) (all areas)	£150	→ £150	Least viable scenario	£453	33%	3%
Retail (wholly or mainly comparison) in Richmond Town Centre	£150	→ £150	Least viable scenario	£ 931	16%	3%
Retail (wholly or mainly comparison) outside Richmond Town Centre	£0	→ £0	Least viable scenario	- £280	n/a	n/a
Public Service and Community Facilities developed by the public, not-for-profit or charitable sectors	£0	→ £0		n/a	n/a	n/a
Hotels	£50	↓ £25		£59	42%	1%
Care homes	£25	→ £25		£72	35%	1%
Standard Charge (all other uses not covered above)	£25	→ £25		n/a	n/a	n/a

DCS now clarifies £0 for schools, colleges and higher education institutions

DCS now clarifies that this also includes sport facilities

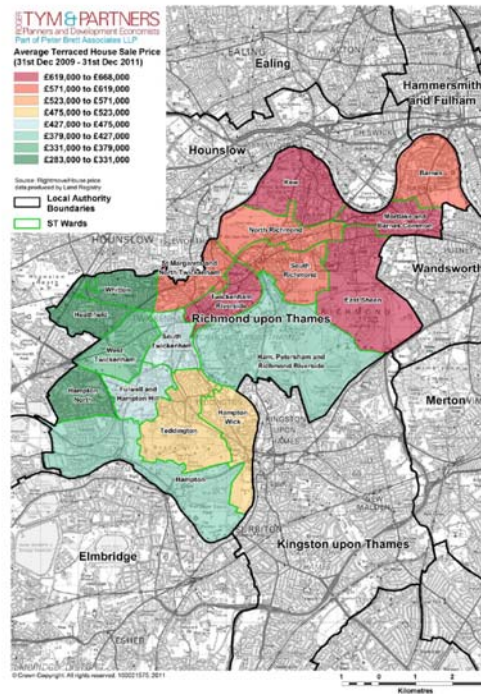
# Based on robust viability testing

All existing policies have been taken into account. The viability testing includes a number of assumptions (summarised on page 20 of the Report, May 2013). It is important to mention that provision has been made for factors such as Mayoral CIL, S106 contributions and 40% affordable housing. The latter differs from the 50% affordable housing target included in the Council's Core Strategy (adopted in 2009). This reflects the changing policy context of the then new London Plan (adopted 2011) and the Council's DMP (adopted 2011), both of which recognise the need for a more viability-led approach, taking into account of circumstances in relation to individual sites. The 40% can be regarded as reasonable bearing in mind levels of affordable housing that have historically been achieved.

The viability testing also considered a number of larger sites across the borough – these were the Stag Brewery site in Mortlake, St Clare's business park in Hampton, Gregg's bakery in Twickenham and the Twickenham RFU sites. The findings confirm that the types of development modelled would remain viable after CIL charges are applied. These assessments of viability are in fact cautious as no allowance was made for existing floorspace which will reduce any liability for some sites.

The CIL charge has been set after these are paid for

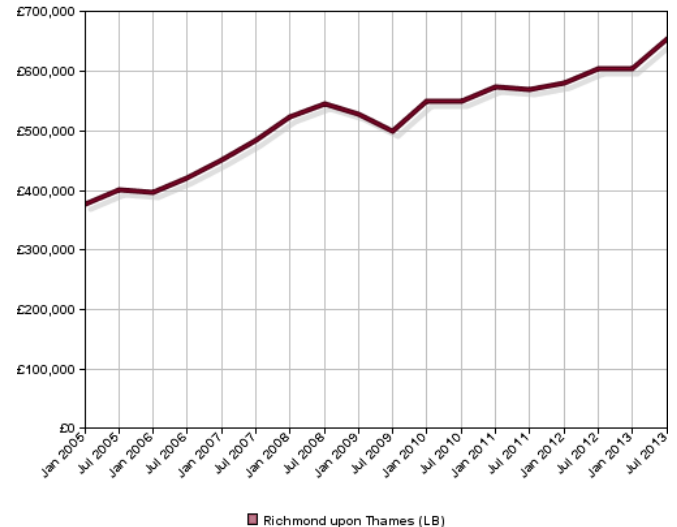
Figure 6.4 Average sales price of terraced homes (Dec 2009 - Dec 2011)



Source: Land Registry, RTP

Average house prices have been and continue to increase

Average price

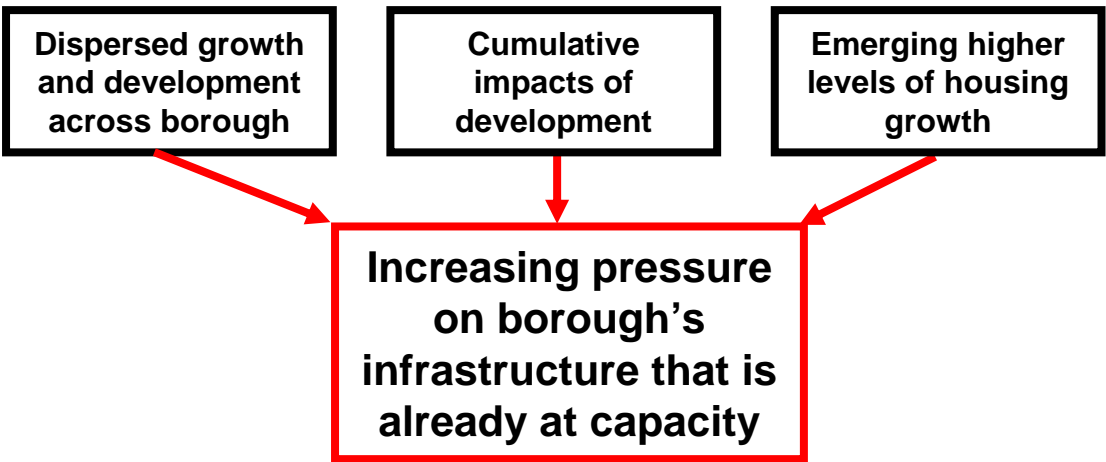


**Note**

The chart shows the average property price over time for all types of housing in the area selected. Small sample sizes can distort the price over time in some areas. The data for this analysis is based on data from Hometrack's Automated Valuation Model.

The borough is extremely attractive to developers, particularly for residential development. There is evidence that house prices were robust even during the recession and that they are now increasing, since the initial CIL viability testing was completed by consultants. The borough had an annual price rise of 6.6% (Land Registry House Price Index, July 2013) therefore the Council is confident that CIL will not prejudice development being brought forward.

# Bringing it all together – accommodating growth across the borough, infrastructure funding gap, viable CIL rates



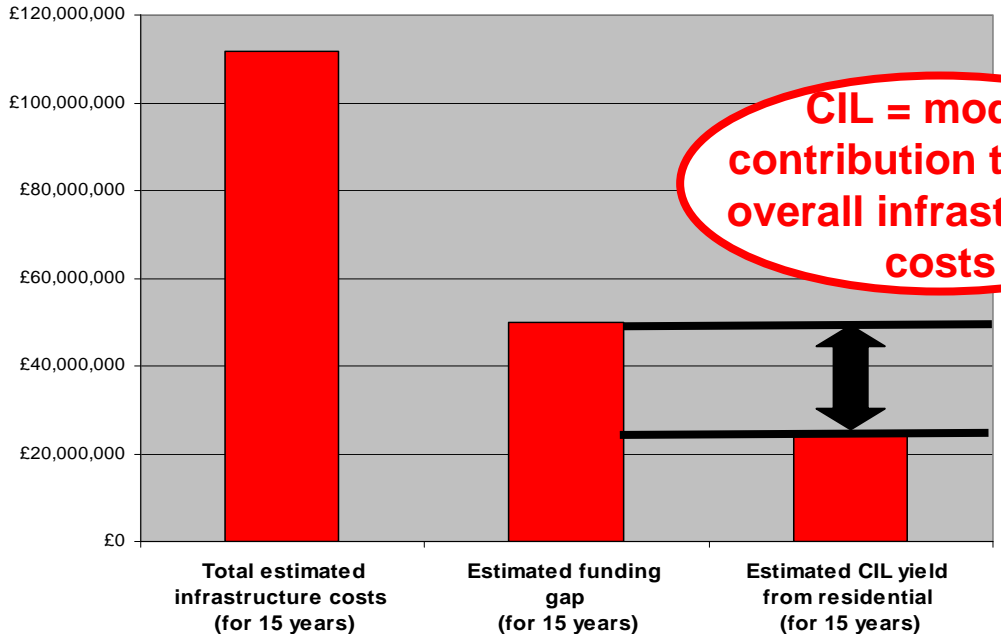
The proposed CIL rates are informed by and consistent with the evidence on economic viability

Predicted modest net increase in floorspace due to developments largely taking place on previously developed land

Levels of non-residential are likely to be modest reflecting the limited land availability

**CIL yield from residential is currently estimated at £1.6m per annum\***


**Estimated funding gap: at least £50m**



\*Including neighbourhood funding percentage, estimate of CIL liable floorspace based on number of assumptions (tenure, type, size, and location) on average development of 245 homes per annum



# Conclusion – CIL will help to deliver the Local Plan

- The DCS strikes an **appropriate balance** between:
    - the desirability of funding infrastructure from the levy, and
    - the potential effects of the imposition of CIL on the economic viability of development across our area.
  - The **independent viability assessment** demonstrates that there will be no harmful economic effect of imposing the levy
  - CIL will have a **positive economic effect** on development across the borough
  - CIL will **provide for necessary infrastructure** (that is already at capacity) to support development and growth in the area
  - CIL will enable the Council to **deal with cumulative impacts** of development
  - CIL provides only a **modest contribution** towards the overall infrastructure needs
-  **CIL will not threaten the delivery of the Local Plan**