LONDON BOROUGH OF TOWER HAMLETS CIL SCHEDULE EXAMINATION

Transport for London's statement in response to examination questions

Hearing Session 2 – Strategic Sites, Residential Development Rates and Office Development Rates

1. Question 9. What would the likely effect of the proposed CIL rates be on (a) Opportunity Areas; (b) Strategic Sites; and (c) delivery of the Whitechapel Masterplan?

- **Do the scenarios tested adequately represent development likely to occur on Strategic Sites, Opportunity Areas and as part of the Whitechapel Masterplan?**
- **Are the assessments of Strategic Sites sufficiently specific?**
- **Are the assumptions regarding ongoing s106 payments for strategic sites realistic?**
- **Is it realistic to expect Strategic Sites to be developed with post-CIL IRRs of around 13%?**
- **Does the evidence on CIL as a percentage of total Strategic**
- **Site Development Costs indicate that CIL would not put the overall development of the area at risk?**
- **Does the viability assessment of the tested strategic sites indicate that the overall development of the area would not be put at risk by CIL?**
- **If you consider that a change to the schedule is necessary what rate/zone boundary would be appropriate?**

1.1. TfL believes that the assessment of strategic sites, carried out by BNPPRE on behalf of the Council, is incorrect. Our consultants, Jones Lang LaSalle (JLL) recalculated the impact the proposed CIL rates would have on developments' viability and this technical analysis is set out below. JLL use the Wood Wharf development to demonstrate BNPPRE's methodology flaws. Furthermore, it is not clear whether the assessment of strategic sites has had any impact on the level of the charging rates proposed.

1.2. Wood Wharf is the largest underdeveloped site within the North Docklands Charging Zone.

Inconsistent approach to Wood Wharf appraisals

1.3. In March 2013, BNPPRE calculated the viability of the scheme based on profit at 20% and 6% on the affordable housing element. JLL have assumed this is profit on cost.

1.4. The residual land value result is £170,880,853 (£26,452,144 per hectare). There is no comparison with a CUV benchmark or deduction for abnormal costs which amount to £150,000,000 in the August 2013 appraisal.

1.5. In August 2013 the appraisal is recast. It excludes any reference to profit and measures viability instead using an ungeared IRR basis, first, on the extant consent which JLL do not consider to be a relevant benchmark, and second, upon the newly added secondary industrial value.

1.6. In contrast with BNPPRE's viability appraisals produced as evidence for the North Docklands proposed CIL rates, **no** 15-20% landowner's premium has been added to the benchmark industrial land value as an incentive to bring the development forward.[1]

Lack of transparency and erroneous calculations

1.7. In July 2013, JLL requested electronic files of the appraisals, which were not supplied. Therefore, JLL have identified areas in need of clarification.

JLL do not understand the assessment of the CIL and Set-off calculation.

1.7.1. The BNPPRE appraisals set out the Mayoral CIL payable on the residential element and calculate office and retail rates including the Crossrail S106 "top up". They subtract the residential Mayoral CIL payable in order to arrive at the total liability.

1.7.2. The correct approach is to calculate the Mayoral CIL payable against all uses and set this off against the total Crossrail S106 liability.[2]

1.7.3. When undertaking their assessment of the Mayoral CIL and Crossrail S106 top up JLL have been explicit in their calculations as follows:

[1] See BNPPRE August 2013 Viability Report – paragraph 4.50

[2] London Plan Supplementary Planning Guidance April 2013 'Use of planning obligations in the funding of Crossrail, and the Mayoral Community Infrastructure Levy,' paragraph 4.21, page 33 of 50.

Table 1: Mayoral CIL and Crossrail S106 Liability Calculation

Liability	Rate (per sq m)	Gross Area (sq m)	Total payable
Mayoral CIL - Residential	£35.00	178,802	£6,258,081
Mayoral CIL - Office	£35.00	270,002	£9,450,079
Mayoral CIL - Retail	£35.00	27,000	£945,008
Total Mayoral CIL Liability			**£16,653,168**
Mayoral S106 Crossrail - Office	£190.00	270,002	£51,300,429
Mayoral S106 Crossrail - Retail	£121.00	27,000	£3,267,027
Total S106 Crossrail Liability			**£54,567,456**
Less Mayoral CIL Liability			£37,914,288

1.7.4. The Mayoral CIL liability should be £16,653,168 and the Crossrail S106 “top-up”, less the Mayoral CIL liability should be £37,914,288, as shown above. BNPPRE do not appear to follow the correct approach of calculating both the Mayoral CIL liability and the resulting Crossrail s106 “top-up”.

Underestimation of development costs and inconsistent measurement of profitability

1.7.5. BNPPRE have increased their site abnormal costs from £14,987,200 to £150,000,000 in the August 2013 viability report to account for site infrastructure enabling works.

1.7.6. Had BNPPRE’s March 2013 appraisal been corrected for this omission alone, the residual land value would have dropped well below the secondary industrial value benchmark adopted in the revised August 2013 report of £38,480,000, making the scheme unviable at the levels of CIL proposed by LBTH.

JLL revised Wood Wharf viability appraisals

1.7.7. JLL have undertaken viability appraisals of Wood Wharf based on the inputs used in BNPPRE’s August 2013 appraisal. With a site of the size and complexity of Wood Wharf JLL have made the assumption that there would be two elements to the profit – first, the master developer for securing planning permission, putting in the infrastructure and delivering serviced plots which we have assessed on an IRR basis and secondly, the plot developer who would take the plot forward for development along with the development risks in relation to building out each plot, which we have measured on a profit on cost basis (whether the master and plot developer are the same or different parties).

1.7.8. A large scale mixed use scheme could only achieve in excess of 80% gross to net floor area conversion if measured at first floor level and above. Including ground floor and basements 70% is a better reference point.

- **Gross to net floor areas** – JLL have assumed 70% gross to net ratio rather than the 85%
- **Health Facility** – JLL have assumed the health facility comprises 1,858 sq m (20,000 sq ft) of accommodation when calculating construction costs since this is not specified.
- **CIL liability and Crossrail S106 top up** – see above in Table 1.
- **Phasing and timescales** – in the absence of any detail JLL assume that the total scheme is split into ten phases each to be built every two years after a two year lead in period, providing for a 22 year project in all.
- **Profit on Cost** – JLL have taken into account a profit on cost of 17.5% blended for each individual plot which in their experience would be required to reward the risk of taking forward individual plots albeit de-risked to some degree by the master developer providing a serviced plot with planning consent. To compare with BNPPRE’s approach in August 2013, JLL have also prepared scenarios excluding plot developer’s profit.
- **Planning and preconstruction** – £2,000,000 is included for planning over a two year pre-construction period.
- **Infrastructure and site enabling works** – JLL have assumed that the £150,000,000 cost of enabling works will be spread out over 5 years, commencing in year three.
- **Maturity Factor** – JLL have carried out our calculations based on the rental inputs used by BNPPRE in their August 2013 appraisal. They have recast the calculations assuming a rental increase on office accommodation from £35 per sq ft to £45 per sq ft and private residential resale values increase from £700 to £800 per sq ft from year 8 onwards to account for a value increase following the maturing of the development as it starts to reach a critical mass. JLL have also assumed a 10% increase in building costs from year 8 onwards to account for added cost in developing subsequent plots around existing buildings in a more complex environment.

1.7.9. JLL have run 5 separate cash flow scenarios based on different levels of CIL and Mayoral Crossrail S106 top up including and excluding the proposed LBTH CIL rates as per the modifications to the revised draft charging schedule and calculating IRR assuming no growth and with growth assumptions:

Table 2: Scenario 1

S.106, CIL and Plot Profit Assumptions	Y/N
Residual S106 - Residential	Y
Residual S106 - Commercial	Y
Mayoral CIL £35psm - Residential	Y
Mayoral CIL £35psm - Offices	Y
Mayoral CIL £35psm - Retail	Y
Mayor's S106 less Mayor's CIL (top-up)	Y
LBTH CIL - Residential	Y
LBTH CIL - Offices	Y
LBTH CIL - Retail	Y
Plot profit (17.50% on cost)	Y
IRR - No Growth	**0.31%**
IRR - Maturity Factor	**5.56%**

1.7.10. Including residual S106, Mayoral CIL, Crossrail top up, LBTH CIL and developer's profit, the scheme is unviable even including the site maturity factor assumptions.

Table 3: Scenario 2

S.106, CIL and Plot Profit Assumptions	Y/N
Residual S106 - Residential	Y
Residual S106 - Commercial	Y
Mayoral CIL £35psm - Residential	Y
Mayoral CIL £35psm - Offices	Y
Mayoral CIL £35psm - Retail	Y
Mayor's S106 less Mayor's CIL (top-up)	Y
LBTH CIL - Residential	Y
LBTH CIL - Offices	Y
LBTH CIL - Retail	Y
Plot profit (17.50% on cost)	N
IRR	**13.50%**
IRR - Maturity Factor	**18.06%**

1.7.11. Reflecting BNPPRE's assumption that no plot developer's profit on cost is included, the scheme would still be considered insufficiently viable. See for example Canary Wharf evidence of 2 December 2013 which suggests a minimum ungeared IRR of 20%.

Table 4: Scenario 3

S.106, CIL and Plot Profit Assumptions	Y/N
Residual S106 - Residential	Y
Residual S106 - Commercial	Y
Mayoral CIL £35psm - Residential	Y
Mayoral CIL £35psm - Offices	Y
Mayoral CIL £35psm - Retail	Y
Mayor's S106 less Mayor's CIL (top-up)	Y
LBTH CIL - Residential	N
LBTH CIL - Offices	N
LBTH CIL - Retail	N
Plot profit (17.50% on cost)	N
IRR	**15.40%**
IRR - Maturity Factor	**19.69%**

1.7.12. When removing the LBTH CIL rate for all uses, the scheme is closer to the Canary Wharf minimum acceptable IRR levels of around 20%, particularly including the site maturity factor.

Table 5: Scenario 4

S.106, CIL and Plot Profit Assumptions	Y/N
Residual S106 - Residential	Y
Residual S106 - Commercial	Y
Mayoral CIL £35psm - Residential	Y
Mayoral CIL £35psm - Offices	Y
Mayoral CIL £35psm - Retail	Y
Mayor's S106 less Mayor's CIL (top-up)	Y
LBTH CIL - Residential	N
LBTH CIL - Offices	N
LBTH CIL - Retail	N
Plot profit (17.50% on cost)	Y
IRR	**2.85%**
IRR - Maturity Factor	**7.49%**

1.7.13. When the LBTH CIL rate is set to nil for all uses but with a plot developer's profit, the scheme would not be considered viable.

Table 6: Scenario 5

S.106, CIL and Plot Profit Assumptions	Y/N
Residual S106 - Residential	Y
Residual S106 - Commercial	Y
Mayoral CIL £35psm - Residential	Y
Mayoral CIL £35psm - Offices	Y
Mayoral CIL £35psm - Retail	Y
Mayor's S106 less Mayor's CIL (top-up)	N
LBTH CIL - Residential	N
LBTH CIL - Offices	N
LBTH CIL - Retail	N
Plot profit (17.50% on cost)	N
IRR	**16.79%**
IRR - Maturity Factor	**20.89%**

1.7.14. When removing the plot developer’s profit, Crossrail S106 top up and LBTH CIL the scheme becomes within viable ranges of IRR both including and excluding the site maturity factor assumptions.

JLL Wood Wharf appraisals conclusion

1.8. Based on JLL’s appraisals of Wood Wharf, the scheme is only within a viable range based on IRR in scenarios 3 and 5, where LBTH CIL is removed from the calculations for all uses and in the case of scenario 5 no Crossrail S106 is sought.

2. Question 11. Are the office charging rates and zone boundaries informed by and consistent with the available evidence?

- **Is the 'sharing' of the maximum viable CIL level for office development in North Docklands between Tower Hamlets CIL and the Crossrail s106 'top up' appropriate and does it accord with the *Use of Planning Obligations in the Funding of Crossrail and the Mayoral CIL SPG (April 2013)?***
- **What would be the likely effect on office development in North Docklands and on Crossrail?**
- **Is the Thomas More Square area in the appropriate zone?**

If you consider that a change to the schedule is necessary what rate/zone boundary would be appropriate?

2.1. Technical analysis, carried out by JLL and set out below, puts into question the reliability of BNPPRE's viability testing of office rates in the North Docklands and challenges the appropriateness of having a borough CIL charge on office development in this area.

2.2. BNP Paribas Real Estate's (BNPPRE) viability testing is based on a residual land value for a notional scheme somewhere in the proposed Charging Zone benchmarked against current use values (CUVs) plus 15-20%.

JLL's technical analysis

2.3. BNP Paribas Real Estate's (BNPPRE) viability testing is based on a residual land value for a notional scheme somewhere in the proposed Charging Zone benchmarked against current use values (CUVs) plus 15-20%.

Appropriateness of Notional Development Scheme

2.4. The North Docklands office viability testing is based on a 30,000 sq ft office development being assessed for viability. Given the nature of the North Docklands charging zone which contains the Canary Wharf estate and adjacent sites including Heron Quays and Wood Wharf, the notional existing and redeveloped building is atypical of this area which is characterised by larger office accommodation on the Canary Wharf estate. A 300,000 sq ft building would be more appropriate and buildings much larger are planned. Similarly the Current Use Values benchmark is a 9,000 sq ft office building which is not typical of existing stock in the proposed charging zone – see photographs in Appendix A.

BNPPRE Development Appraisal Methodology

2.5. However notwithstanding JLL's reservations concerning the appropriateness of the notional scheme and current use benchmark, it is this scheme and associated evidence that the London Borough of Tower Hamlets (LBTH) has relied upon to support the Draft Charging Schedule, and JLL consider whether, on its own terms, the calculations are correct and the assumptions reasonable.

2.6. JLL have replicated the North Docklands Office Appraisal 5 (BNPPRE August 2013 Viability Study) using Argus Developer, the industry standard appraisal software, and have calculated a similar residual land value. JLL therefore accept the general methodology used by BNPPRE to arrive at their notional residual land values.

2.7. BNPPRE have released two editions of their viability study. In March 2013, BNPPRE benchmarked Appraisal 5 against CUV 2, being the median CUV. In the revised viability study in August 2013, CUV 1 is used, lowering the threshold to be met, and thus making the notional schemes appear more viable. There is no explanation for this change of approach which we note has also occurred in City Fringe (CUV 3 to CUV 2) and convenience based Supermarkets (CUV 2 to CUV 3). Given no underlying reduction in current values between March and August 2013 JLL see no reason why the CUV benchmark should change.

Validity of North Docklands office CUVs inputs

2.8. Given the CUV calculations are inherent in BNPPRE's evidence of the maximum CIL level supported by development (inclusive of the Mayoral S106 Crossrail top up) JLL have undertaken research to test the validity of the inputs assumed when arriving at the CUV scenarios.

2.9. As stated above the 9,000 sq ft office building upon which the CUV calculations are based is an atypical building in the North Docklands charging zone. However, given this is the evidence presented to JLL, they have undertaken market research to test whether or not the inputs used are reasonable by looking at properties outside but close to the boundaries of the proposed Charging Zone.

Rental Value

2.10. BNPPRE have adopted rents for North Docklands offices in their three CUV scenarios at £8, £13 and £18 per sq ft respectively. CUV1 adopted in the revised viability testing by BNPPRE in August 2013 is set against £8 per sq ft.

2.11. JLL have collected market evidence, sourced from the JLL research team, CoStar Focus and by calling local agents. For take-up of over 7,000 sq ft, the average achieved rent in 2013 was £29.50 per sq ft. When looking at take-up of between 7,000 and 15,000 sq ft, the average rent achieved in 2013 remained the same at £29.50 per sq ft with an average area of 8,146 sq ft.

2.12. JLL are of the opinion that the Market Rent achievable for a secondary office building of 9,000 sq ft would range between £20 and £30 per sq ft based on historic rental evidence and depending on the specific location and configuration, with £25 per sq ft being a conservative median estimate which is also in line with local agent opinion.

2.13. In terms of potential lease lengths and tenants' incentives, local market sentiment indicates that for a notional 9,000 sq ft building or floor plate, a landlord would expect to achieve a 10 year term certain with between 27 and 32 months' rent free. For a shorter term of 5 years certain letting agents would typically anticipate a rent free period of 12 to 14 months.

2.14. In line with BNPPRE's CUV model JLL have assumed a lease term of 10 years. JLL have adopted a 29 month rent free period (2.45 years).

Refurbishment Costs and Fees

2.15. JLL acknowledge that a £50 per sq ft refurbishment cost would be appropriate for a comprehensive refurbishment. However, JLL have consulted with their internal cost consultants who have informed them professional fees on a refurbishment project of this nature would be in the region of 10-12%. JLL have therefore adopted 12% in our revised appraisals.

2.16. Holding all other inputs equal, JLL have replicated BNPPRE's CUV calculations using a revised rent free period of 2.45 years and with three different Market Rent assumptions of £15 per sq ft being the worst case, a base case of £25 per sq ft and a best case of £30 per sq ft.

Table 7: Revised Current Use Value Comparison Summary

CUV/landowner premium	BNPPRE Assumptions	JLL Assumptions
CUV 1 - (15%)	£252,488	£1,389,661
CUV 2 - (20%)	£717,989	£1,955,107
CUV 3 - (20%	£1,503,979	£2,844,235

2.17. The difference in CUVs calculated with revised rental and rent free inputs increases the land value significantly.

JLL's Conclusion

2.18. The BNPPRE evidence, adjusted to be set against a more realistic CUV benchmark suggests that the rate for office in North Docklands should be zero. This is supported by the viability testing of Wood Wharf.

Adopting our recalculated CUV 2 as the benchmark JLL restate the office North Docklands table from the August BNPPRE viability evidence below.

Table 8: Revised Current Use Value Assumptions

Assumptions	Common Assumptions	CUV 1		CUV 2		CUV 3	
Existing space sq ft	9,000						
Rent per sq ft		£20.00		£25.00		£30.00	
Rental income per sq ft		£180,000		£225,000		£270,000	
Rent free/voids (years)		3	0.7938	3	0.7938	3	0.8106
			£142,890		£178,612		£218,863
Total revenue, capitalised (including all costs)		8.00%	£1,786,123	8.00%	£2,232,653	7.25%	£3,018,797
Refurbishment costs per sq ft	£50.00	£450,000		£450,000		£450,000	
Fees (refurb fees)	12.00%	£54,000.00		£54,000.00		£54,000.00	
Contingency	5%	£22,500		£22,500		£22,500	
Capitalised rent net of refurb and fees			£1,282,123		£1,728,653		£2,514,797
Purchaser's costs	5.75%		£73,722		£99,398		£144,601
Current use value			£1,208,400		£1,629,256		£2,370,196
CUV including landowner premium		15%	**£1,389,661**	20%	**£1,955,107**	20%	**£2,844,235**

Table 9: Revised CUV values on CIL viability

	Appraisal 1	Appraisal 2	Appraisal 3	Appraisal 4	**Appraisal 5**	Appraisal 6	Appraisal 7	Appraisal 8	Appraisal 9	Appraisal 10
Residual Land Value (BNPPRE)	-£866,029	-£489,721	-£113,413	-£323,419	**£223,620**	£764,473	£543,710	£863,800	£1,183,890	£1,503,980
Less CUV 1 - £20 psf (JLL)	-£2,255,690	-£1,879,382	-£1,503,074	-£1,713,080	**-£1,166,041**	-£625,188	-£845,951	-£525,861	-£205,771	£114,319
Less CUV 2 - £25 psf (JLL)	-£2,821,136	-£2,444,828	-£2,068,520	-£2,278,526	**-£1,731,487**	-£1,190,634	-£1,411,397	-£1,091,307	-£771,217	-£451,127
Less CUV 3 - £30 psf (JLL)	-£3,710,264	-£3,333,956	-£2,957,648	-£3,167,654	**-£2,620,615**	-£2,079,762	-£2,300,525	-£1,980,435	-£1,660,345	-£1,340,255
Net additional floorspace (sq ft)	21,000	21,000	21,000	21,000	**21,000**	21,000	21,000	21,000	21,000	21,000
Net additional floorspace (sq m)	1,951	1,951	1,951	1,951	**1,951**	1,951	1,951	1,951	1,951	1,951
Maximum CIL per sqm										
Against CUV 1	-£1,156	-£963	-£770	-£878	**-£598**	-£320	-£434	-£270	-£105	£59
Against CUV 2	-£1,446	-£1,253	-£1,060	-£1,168	**-£887**	-£610	-£723	-£559	-£395	-£231
Against CUV 3	-£1,902	-£1,709	-£1,516	-£1,624	**-£1,343**	-£1,066	-£1,179	-£1,015	-£851	-£687

Table 10: Revised CUV values on CIL viability assuming zero LBTH CIL and no S106 top up

	Appraisal 1	Appraisal 2	Appraisal 3	Appraisal 4	**Appraisal 5**	Appraisal 6	Appraisal 7	Appraisal 8	Appraisal 9	Appraisal 10
Residual Land Value (BNPPRE)	-£866,029	-£489,721	-£113,413	-£323,419	**£223,620**	£764,473	£543,710	£863,800	£1,183,890	£1,503,980
BNPPRE RLV less CIL (£527,920)	-£338,059	£38,249	£414,557	£204,551	£751,590	£1,292,443	£1,071,680	£1,391,770	£1,711,860	£2,031,950
Less CUV 1 - £20 psf (JLL)	-£1,727,720	-£1,351,412	-£975,104	-£1,185,110	**-£638,071**	-£97,218	-£317,981	£2,109	£322,199	£642,289
Less CUV 2 - £25 psf (JLL)	-£2,293,166	-£1,916,858	-£1,540,550	-£1,750,556	**-£1,203,517**	-£662,664	-£883,427	-£563,337	-£243,247	£76,843
Less CUV 3 - £30 psf (JLL)	-£3,182,294	-£2,805,986	-£2,429,678	-£2,639,684	**-£2,092,645**	-£1,551,792	-£1,772,555	-£1,452,465	-£1,132,375	-£812,285
Net additional floorspace (sq ft)	21,000	21,000	21,000	21,000	**21,000**	21,000	21,000	21,000	21,000	21,000
Net additional floorspace (sq m)	1,951	1,951	1,951	1,951	**1,951**	1,951	1,951	1,951	1,951	1,951
Maximum CIL per sqm										
Against CUV 1	-£886	-£693	-£500	-£607	**-£327**	-£50	-£163	£1	£165	£329
Against CUV 2	-£1,175	-£983	-£790	-£897	**-£617**	-£340	-£453	-£289	-£125	£39
Against CUV 3	-£1,631	-£1,438	-£1,245	-£1,353	**-£1,073**	-£795	-£909	-£744	-£580	-£416

2.19. JLL consider that the evidence does not support the introduction of an LBTH office CIL levy in the North Docklands area.

Further comments

2.20. In addition to the thorough technical viability analysis of an office rate in the North Docklands carried out by the JLL, TfL would like to stress that all London boroughs are required to have regard to the development charges set by the Mayor. This includes both the Mayoral CIL and the Mayor's policy on the use of planning obligations to help fund Crossrail. Crossrail has been identified by the Mayor as the 'top strategic transport priority for London' (The London Plan, policy 6.4). LBTH will be a direct beneficiary of this project, with a number of stations falling within the borough boundary. The borough's Development Plan Document (DPD) is required to be in conformity with the London Plan.

2.21. The correct approach in applying regulation 14 of the CIL Regulations 2010 (as amended) is to start with the policies of the development plan, and assess the effect of proposed CIL rates over and above these. This means that the borough needs to have regard to both the Mayoral CIL and the Crossrail s106 when setting its own CIL rates. The borough has not done this and instead, treated the Crossrail s106 as a residual that can be reduced to accommodate the borough's own CIL proposals.

2.22. The 'sharing' arrangement proposed by the borough is therefore not appropriate. It fails to give sufficient weight to the importance of Crossrail as the 'top strategic transport priority for London' and disregards the guidance on the use of planning obligations. This guidance is based on formal policy and should be given particular weight when boroughs decide to set their CIL rates.

2.23. The restriction in the Crossrail s106 'top-up' will have a significant effect on the amount of the 'top-up' collected from the borough and the overall funding of Crossrail. As part of the Crossrail funding package, the amount expected to be collected through developer s106 payments is £300m. LBTH estimates significant levels of commercial development in the North Docklands between 2014 and 2026. If the Crossrail s106 ‘top-up’ is restricted in this area, then clearly, this will have a detrimental effect on reaching the £300m target in time. Based on the Wood Wharf development alone, TfL estimates that the ‘loss’ in Crossrail funding, as a result of the proposed office rates in the North Docklands, is between £22m and £30m.

2.24. A shortfall in the funding for Crossrail will have adverse consequences for the delivery of the project. TfL is of course committed to delivering the project on time, but the Mayor will have to make up the shortfall in funding from other sources. This means that other infrastructure projects may be cancelled or other developments within the CAZ and the Isle of Dogs Contribution Area will have to make up the funding gap.

2.25. To conclude, TfL considers that a borough CIL charged on office development in the North Docklands is not appropriate for a number of reasons:

- The rate is not viable given the technical analysis carried out by JLL and presented above;
- The Council did not provide appropriate available evidence in setting their CIL rate on offices in the North Docklands and therefore, the Council did not comply with the CIL Regulations;
- The Council did not comply with the London Plan policy, and the priority and importance accorded to the Crossrail project within the Plan and therefore the priority that should be accorded to the Crossrail S106 policy.

2.26. Legal objections were provided to the Council at the modification stage of the revised draft charging schedule publication (Opinion by the Leading Counsel, Paul Brown QC, 5 March 2014). TfL would urge the examiner to consider this Opinion as part of the Examination in Public.

Hearing Session 2 word count: 2,997 words (excluding titles and questions)

Appendix A.

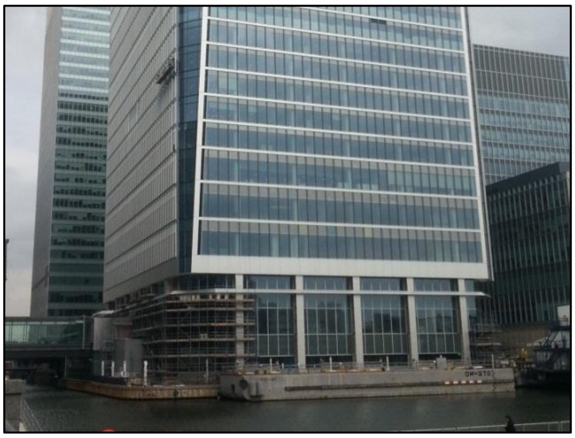
Picture 1 – Alere Toxicology Building, Wood Wharf. This property is located on Wood Wharf and is let on confidential terms.

Picture 2 – Indoor Sports Centre on Wood Wharf. The property is located on Wood Wharf and is let on confidential terms.

Picture 3 – Lutomer House Business Centre, Wood Wharf. The property provides serviced office accommodation. Let on confidential terms.

Picture 4 - Buildings to the south of the North Docklands charging zone on Marsh Wall / South Quay. The office stock in this location is secondary / refurbished and we understand rental levels range between £20 and £30 per sq ft and are typically larger than 9,000 sq ft.

Picture 5 – Cannon Workshops. The property comprises units used for small businesses, offices, workshops and storage use ranging between circa 60 to 1,200 sq ft. We understand the most recent units let in 2013 at between £18 and £24 per sq ft on short term agreements.



Picture 6 – 25 Churchill Place. The property is adjacent to Wood Wharf and is currently under construction. We understand the property is pre-let to EY and the European Medicines Agency at rents of £48.50 and £46.50 per sq ft respectively on 25 year leases.