

# Examination of the Tower Hamlets Local Plan

## London Borough of Tower Hamlets

### Response to Main Matter 2

#### Matter 2: Basis for the LP and spatial strategy

##### Issue 2 – Are the strategic objectives justified and in accordance with national policy and the London Plan?

#### 2.1 Does the LP provide a clear, positively prepared and justified vision for the borough?

2.1.1 Yes, the LP has a clear, positively prepared and justified vision for the borough. This is outlined in part 2 of the LP: Vision and objectives (chapter 1: Our vision for Tower Hamlets).

2.1.2 The vision is positively worded and uses unambiguous plain English wording which expresses an effective visualisation of how the borough will change and develop over the next 15 years, which has shaped and informed the objectives and policies which follow in the LP.

2.1.3 The following table outlines how the vision positively seeks to meet objectively assessed development and infrastructure requirements, including unmet requirements from neighbouring authorities where it is reasonable to do so and consistent with achieving sustainable development (NPPF, paragraph 182) and is justified through national and regional requirements and regional and local evidence.

Vision paragraph	Positively prepared	Justification
As the centre of London expands east, Tower Hamlets will embrace its role as a key focus for London's growth, making best use of the economic benefits from Canary Wharf, the City of London and Stratford. The connections between the borough and surrounding areas will be improved, whilst maintaining our distinct east-end identity.	<ul style="list-style-type: none"><li>Supports the London Plan's vision for Tower Hamlets as a focus for London's economic growth and for housing delivery – including delivering housing to meet wider strategic need.</li></ul>	<ul style="list-style-type: none"><li>Required by NPPF (paragraph 21), the LP provides a clear economic vision and strategy which positively and proactively encourages sustainable economic growth</li><li>Responds to the London Plan (GLA, 2016) and (SD07) GLA's 'City in the East' masterplan (2016) which links the east London opportunity areas and focuses on the role of east London in delivering both housing and employment growth, facilitated by greater connectivity.</li></ul>
This growth will be primarily delivered in the City Fringe, the Lower Lea Valley and Isle of Dogs and South Poplar and at key locations along transport corridors. The benefits of the transformation of our borough will be shared throughout Tower Hamlets,	<ul style="list-style-type: none"><li>Supports the delivery of the opportunity areas designated in the London Plan.</li></ul>	<ul style="list-style-type: none"><li>Responds to policy 2.13 of the London Plan (GLA, 2016) (SD07) focuses growth into key opportunity areas.</li><li>Ensuring growth benefits all residents is a key element of the Tower Hamlets Community Plan (SED4)</li></ul>

<p>including all our residents, ensuring no one is left behind.</p>		<p>which acknowledges and seeks to address the inequalities present in the borough, with the LP as a key delivery strategy.</p>
<p>Tower Hamlets will continue to be home to a wide range of diverse communities. We will support our existing communities and welcome new residents to make their home within liveable, mixed, stable, inclusive and cohesive neighbourhoods, which contribute to a high quality of life and more healthy lifestyles.</p>	<ul style="list-style-type: none"> <li>• Supports housing delivery which meets local and strategic need, as expressed in the London Plan, 2016 set target of 3,931 per annum (greater than the borough's objectively assessed need).</li> </ul>	<ul style="list-style-type: none"> <li>• The Tower Hamlets Community Plan (SED4) sets the strategic objective of creating a great place to live where: 'Tower Hamlets will be a place where people live in quality affordable housing, located in clean and safe neighbourhoods served by well-connected and easy to access services and community facilities', with the LP as a key delivery strategy.</li> <li>• Tower Hamlets Health and Wellbeing Strategy (SED7), recognises the role of planning in creating healthier places, with the LP as a key delivery strategy.</li> </ul>
<p>These neighbourhoods will contain a broad mix of housing types, prioritising family and affordable housing, and will be served via a range of excellent, shared and accessible community, cultural and recreation facilities and infrastructure. These will be green, safe and accessible to all, promoting walking and cycling and the use of public transport as well as making best use of our network of parks and waterways, including Victoria Park, Mudchute Park and Mile End Park; the Thames and Lea rivers; and our dock basins and canals.</p>	<ul style="list-style-type: none"> <li>• Supports the delivery of a range of housing products to meet all needs, as locally and regionally assessed.</li> <li>• Plans positively for the provision and use of community facilities and other local services to enhance the sustainability of communities and residential environments (NPPF, paragraph 70).</li> <li>• Promotes modal transport shift to ensure assessed housing and employment need can be met sustainably (NPPF, paragraph 29).</li> <li>• Recognising the land constraints in the borough and the need to meet assessed housing and employment need, the vision promotes enhancing our existing environmental assets. Plans positively for the creation, protection, enhancement and management of networks of biodiversity and green infrastructure (NPPF, paragraph 114).</li> </ul>	<ul style="list-style-type: none"> <li>• The Tower Hamlets Strategic Housing Market Assessment (SHMA) (2017) (SED17) assesses local housing need demonstrating the high affordable and family housing need.</li> <li>• The Infrastructure Delivery Plan (2018) (SD06) outlines the need for further social infrastructure delivery to support sustainable development.</li> <li>• Tower Hamlets Strategic Transport Assessment (2016) (SED61) and the GLA Transport Strategy (2018) - both outline the need to deliver a modal shift to more sustainable forms of transport.</li> <li>• The following studies outline the need to make best use of our parks and waterways: <ul style="list-style-type: none"> <li>• Open Space Strategy (2017) (SED39);</li> <li>• Green Grid Strategy Update (2017) (SED42); and</li> <li>• Water Space Strategy (2017) (SED43).</li> </ul> </li> </ul>
<p>Neighbourhoods will be transformed with high quality buildings and well-designed spaces, while the character of the borough's 24 places that make Tower Hamlets unique,</p>	<ul style="list-style-type: none"> <li>• Acknowledges the changes which will occur in the borough in order to meet assessed need and outlines how these will be sensitively</li> </ul>	<ul style="list-style-type: none"> <li>• The Urban Structure and Characterisation Study (2009) and Urban Structure and Characterisation Study – Addendum (2016) (SED12) outline the unique</li> </ul>

<p>including its cultural heritage, will be protected and enhanced: ensuring a sensitive balance between, and integration of, old and new. High standards of environmental sustainability will result in improvements in air quality, carbon emissions, recycling and climate change mitigation. Innovative and smart technology will enhance the provision of services. This will ensure the on-going social and environmental sustainability of greater levels and higher densities of development.</p>	<p>managed in relation to the borough's significant heritage and townscapes and deliver good design (as required by NPPF, paragraphs 56, 58 and 126).</p> <ul style="list-style-type: none"> <li>• Seeks to address and mitigate the potential environmental improvements which could arise from the scale of development proposed in the borough through the promotion of high environmental standards (as required by NPPF, paragraphs 95, 97 and 162).</li> </ul>	<p>characteristics of the boroughs 24 places, the importance of retaining and strengthening these characteristics as well as highlighting opportunities for change and development.</p> <ul style="list-style-type: none"> <li>• The Conservation Strategy (2017) (SED11) highlights the borough's extensive heritage assets and how they can be managed, preserved and enhanced.</li> <li>• The Air Quality Action Plan (2017) (SED56), Carbon Policy Evidence Base (2016) (SED53) and Waste Storage and Collection Systems – Supplementary Information (2017) (SED60) outline how environmental improvements will be delivered, including through the LP.</li> </ul>
<p>Alongside high quality residential neighbourhoods, Tower Hamlets will play a significant role in London's global economy, ensuring it remains an evolving, creative and dynamic borough.</p>	<ul style="list-style-type: none"> <li>• Supports the delivery of increased jobs (125,000 new jobs) and floorspace as assessed by the GLA to meet both local and regional growth.</li> </ul>	<ul style="list-style-type: none"> <li>• The following studies outline the need to protect existing employment land and deliver further floorspace to meet these targets and deliver local and strategic need: <ul style="list-style-type: none"> <li>• Employment Land Review (2016) (SED28)</li> <li>• Preferred Office Location Boundary Review (2017) (SED29)</li> <li>• Growth Sectors and SMR Workspace Study (2017) (SED30) and Affordable Workspace Evidence Base (2018) (SED31)</li> </ul> </li> </ul>
<p>The strategic roles of Canary Wharf as a global financial and business hub and the City Fringe and Whitechapel as emerging hubs for life sciences, bio-tech and digital industries will be strengthened. This is alongside nurturing and developing our thriving small-and-medium enterprise sectors, properly recognising the need to support the entrepreneurial and business-focused dynamism of many of our residents and workers, preserving our remaining industrial heritage and promoting our historic and distinctive town centres, markets and heritage and cultural attractions.</p>	<ul style="list-style-type: none"> <li>• Supports the delivery of increased jobs (125,000 new jobs) and floorspace as assessed by the GLA to meet both local and regional growth.</li> <li>• Recognises the growth of our existing businesses sectors as well as identifying and planning for new and emerging sectors. It seeks to encourage the promotion and expansion of clusters or networks of knowledge driven, creative or high technology industries (as required by NPPF, paragraph 21).</li> <li>• Recognises the vital role of town centres and seeks to promote and protect them (as required</li> </ul>	<ul style="list-style-type: none"> <li>• Responds to the London Plan (policies 2.10 – 2.12) and the Central Activities Zone Supplementary Planning Guidance and emphasises the strategic role of the Central Activities Zone.</li> <li>• The following studies outline the emerging industries, the employment typologies which are required in the borough and the most suitable locations for growth: <ul style="list-style-type: none"> <li>• Employment Land Review (2016) (SED28)</li> <li>• Preferred Office Location Boundary Review (2017) (SED29)</li> <li>• Growth Sectors and SMR Workspace Study (2017) (SED30) and Affordable Workspace Evidence</li> </ul> </li> </ul>

	by NPPF, paragraph 23).	Base (2018) (SED31) <ul style="list-style-type: none"> <li>The Town Centre Retail Capacity Study (2016) and Town Centre Strategy 2017-2022 (2017) outline the distinctive and important economic and social roles of our town centres.</li> </ul>
This economic growth will be sustained through the enhancement of our public transport network.	<ul style="list-style-type: none"> <li>Recognises that in order for assessed housing and employment needs to be met sustainably delivering additional public transport capacity is required.</li> </ul>	<ul style="list-style-type: none"> <li>Tower Hamlets Strategic Transport Assessment (2016) (SED61) and the GLA Transport Strategy (2018) both outline the transport enhancements which will enable development to meet assessed needs.</li> </ul>

**2.2: Are the locations identified for development, namely the opportunity areas identified by policy S.SG1, the most appropriate locations when considered against all reasonable alternatives?**

- 2.2.1 London has a two-tier planning system in which the London Plan and the LP are both part of the development plan (in the context of Tower Hamlets). The London Plan (SD07) sets out the broad strategy for the whole of London and the LP is required to be in general conformity with it. However, this effectively limits the scope to consider “reasonable alternatives” relating to the location and distribution of new development (e.g. housing and employment) in the context of Tower Hamlets, as the London Plan contains policies on both these aspects (as explained in section 3 of the Integrated Impact Assessment – SD6).
- 2.2.2 The London Plan identifies three opportunity areas within the borough of Tower Hamlets: City Fringe/Tech City, Isle of Dogs and South Poplar and Lower Lea Valley, where significant growth is anticipated. The spatial strategy set out in the LP (see policy S.SG1) has been framed in the context of the opportunity areas identified through the London Plan.
- 2.2.3 In these circumstances, the reasonable alternatives to the proposed growth locations set out in the LP (see policy S.SG1) that would usually be considered through this process have been significantly restricted.
- 2.2.4 Consideration of alternatives has also involved making a comparison between the “do-nothing” approach (based on the current adopted London Plan and the National Planning Policy Framework) and the proposed LP, as a means of addressing the evolution of relevant environmental aspects without implementing the proposed plan/programme. This provides an appropriate baseline against which the environmental effects of the LP can be measured (as per the SEA Directive). The LP reflects the baseline position set out in the London Plan and the NPPF.
- 2.2.5 Sustainability appraisals are only required to assess reasonable alternatives (in line with the Strategic Environmental Assessment Directive). These opportunity areas have already been assessed against reasonable alternatives through the high-level SA/SEA of the London Plan and, as such, there is no need to re-assess these designations as part of the LP process. In respect of the consideration of reasonable alternatives, the Integrated Impact Assessment complies with the legal requirements set out in the SEA Directive.

**What factors have influenced the distribution proposed?**

- 2.2.6 The key issues which have influenced the distribution proposed in the emerging plan have included evidence of:

- the need to distribute growth in accordance with the NPPF and London Plan, in particular the opportunity areas<sup>1</sup> and locations which are highly accessible by public transport, cycling and walking networks, such as designated town centres and transport interchanges (see policies S.SG1, S.SG2, S.TC1 and S.TR1);
- the need to set aside land to accommodate more housing, employment, industrial and waste facilities in the light of assessed need and targets set out in the London Plan;
- the potential opportunities to accommodate new development in the remaining parts of the borough (Central sub-area), primarily through infill and land use intensification (see policy S.SG1);
- the outcomes and recommendations set out in the Integrated Impact Assessment (SD6);
- known infrastructure constraints, issues and opportunities, as evidenced in the Infrastructure Delivery Plan (SD06) and other relevant guidance (see section 4 of the LP);
- ongoing discussions with statutory consultees, including the Greater London Authority Environment Agency, Thames Water, Historic England, Transport for London and neighbouring authorities, as set out in the Duty to Cooperate Statement (SD11) and the Regulation 22 Statement (SD4);
- responses from key stakeholders (including landowners and developers) to previous consultations on the LP as set out in the Regulation 22 Statement (SD4);
- the role and function of the borough's 24 places, as defined within the Tower Hamlets Urban Structure and Characterisation Study and other relevant guidance (see policy S.SG1);
- the availability of suitable sites in the London Strategic Housing Land Availability Assessment to meet the distribution proposed.

**2.3 How have issues concerning viability been addressed, in order to ensure that there is a reasonable prospect that the sites identified will come forward for development during the plan period? Please provide a clear explanation as to what methodology has been used to assess viability.**

2.3.1 In terms of the methodology used to assess viability, the following steps have been undertaken:

**Step 1: Review existing evidence**

2.3.2 This involved considering existing in-house viability work undertaken in the past several years to consider the approaches taken. This exercise most notably involved reviewing the viability work that supported the adoption of the borough's Community Infrastructure Levy (CIL). This exercise was undertaken prior to the appointment of our viability consultants and again alongside BNP Paribas Real Estate after they had been appointed to act on our behalf.

**Step 2: Agree the appraisal methodology, assumptions and information to be used**

2.3.3 As part of the process to commission a consultant to assess the viability of the LP, parties were asked to make submissions to make recommendations in respect of methodologies. BNP Paribas Real Estate submitted that their proposed approach would be to adopt the residual valuation methodology.

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<sup>1</sup> Opportunity areas are defined in the London Plan as areas of brownfield land with the capacity to accommodate significant levels of growth which will contribute to meeting London's future development needs. These designations have influenced the distribution proposed within the Local Plan.

- 2.3.4 We considered BNP Paribas Real Estate's submission and the approaches taken on previous viability studies (such as the approach in respect of the borough's CIL). We are aware that this methodology conforms with that identified in best practice guidance for such studies including; the National Planning Practice Guidance on Viability and Plan Making as well as the Local Housing Delivery Group Guidance "Viability Testing Local Plans Advice for Planning Practitioners" (June 2012). This approach is also consistent with the methodology adopted in testing numerous other Local Plans and planning policy in and out of London. Given this, we decided that the most appropriate approach was to use a residual valuation methodology – this is where the difference between the value and costs of development are compared with land values to determine whether development will be viable. Section 3 of the Local Plan Viability Assessment (SED5) conveys the methodology adopted in more detail.
- 2.3.5 The viability assessment approach adopted tested the proposed policies in an iterative and cumulative manner to allow us to better understand the impact of each of the individual policy requirements and refine approaches, where necessary.
- 2.3.6 The costs associated with proposed policies (e.g. delivering affordable housing, zero carbon etc.) were specifically costed by professional cost consultants and incorporated within the Local Plan Viability Assessment (SED5 – refer to appendix 2). In addition, costs such as CIL and section 106 were taken into account.
- 2.3.7 To ensure deliverability and also negate any uncertainty over the timing/phasing of development, all assessments were carried out on a 'current day' basis in accordance with Planning Practice Guidance on Viability and Plan-Making.
- 2.3.8 In terms of the approach to the viability benchmark (i.e. land value), the approach adopted is based on the current use value plus a premium approach, as identified in the Planning Practice Guidance on Viability and Plan-Making and endorsed in the *Viability Testing Local Plans Advice for planning practitioners* document produced by the Local Housing Delivery Group. This guidance recommends that the viability benchmark "is based on a premium over current use values". This approach is consistent with our previous viability assessments as well as that of numerous other local planning authorities both in and out of London, whose policies have successfully been through examinations in public.
- 2.3.9 In terms of the extent of premium adopted, the Local Plan Viability Assessment adopts a figure of 20%. The *Viability Testing Local Plans Advice for Planning Practitioners* document recommends that the "precise figure that should be used as an appropriate premium above current use value [being] determined locally". A premium of 20% was used in the viability assessment supporting the current adopted LP and the viability assessment supporting the borough's CIL Charging Schedule. It has also been seen to be adopted in the case of many viability positions agreed through planning applications. It is recognised, however, that premiums are site specific and therefore will in practice vary. An allowance of 20% is therefore considered a reasonable, if not cautious in some cases, allowance. For these reasons, we consider 20% to be an appropriate premium.
- 2.3.10 We decided to test a range of 9 different development typologies, ranging from 3 units to 400 units in size (that are likely to come forward during the life of the plan), across its area, assuming 9 separate value areas that accord to the borough's adopted CIL zones. The Local Plan Viability Assessment also tests 14 of the 21 site allocations (further details provided below). We consider these testing approaches constitute a proportionate approach and will facilitate a broad understanding of viability.
- 2.3.11 The Site Allocations Methodology (SED64) sets out more information on the approach to selecting sites for testing but the council has sought to comply with the following guidance in selecting sites for testing:

*"Assessing the viability of plans does not require individual testing of every site.....Assessment of samples of sites may be helpful to support evidence and more detailed assessment may be necessary for particular areas or key sites on which the delivery of the plan relies"* (see paragraph 6 of the Viability and Plan-Making Planning Practice Guidance).

*"Viability assessments should be proportionate, but reflect the range of different development, both residential and commercial, likely to come forward in an area and needed to deliver the vision of the plan"* (see paragraph 9 of the Viability and Plan-Making Planning Practice Guidance).

2.3.12 A number of further practical considerations have been taken into account in deciding the extent of testing to be undertaken to the proposed site allocations set out in the LP:

- Policy requirements of residential development are much more likely to impact on viability, so testing has focused on residential-led schemes.
- Testing the sites that propose to deliver the most housing (i.e. contribute most to the delivery of the LP).
- Not testing sites where there is a planning permission in place that is likely to be delivered or has already been implemented.
- Where a number of sites have similar characteristics, only one of these sites has been tested.
- Testing the sites that have the most significant cost burdens which may include the provision of infrastructure.

### **Step 3: Information gathering and viability modelling**

2.3.13 After deciding on the overarching approach to testing, we liaised with our consultants to establish robust inputs to the viability tests. The approaches to the inputs adopted are described below:

**Revenue:** Revenue and value was established through the use of comparable evidence collected by BNP Paribas Real Estate. For residential values, these were applied on a net internal area basis. As per the usual approach, commercial values are applied on a gross internal area or net internal area basis, appropriate to the use in question.

**Build costs:** Base build costs are sourced from the RICS Building Cost Information Service (BCIS), which is based on tenders for actual schemes and is adjusted to reflect local circumstances in Tower Hamlets. On top of the base build costs, allowances have been made for external works and where appropriate abnormal costs (see below). In addition, we have sought specific advice from Build Cost Consultants WT Partnership, who provided advice in respect of additional policy costs including that associated with delivering sustainable urban drainage systems, meeting the borough's zero carbon policy and also in respect of meeting accessibility requirements for residents with wheelchairs. A contingency allowance of 5% on top of build costs has also been allowed.

**External works and abnormal costs:** An allowance of 15% on base build costs has been made to account for external works required to development. Exceptional costs can be an issue for development viability on previously developed land. These costs relate to works that are 'atypical', such as remediation of sites in former industrial use and that are over and above standard build costs. However, in the absence of detailed site investigations, it is not possible to provide a reliable estimate of what exceptional costs might be. Our analysis on the typology testing therefore excludes exceptional costs, as to apply a blanket allowance would generate misleading results. An 'average' level of costs for abnormal ground conditions and some other 'abnormal' costs is already reflected in BCIS data, as such costs are frequently encountered on

sites that form the basis of the BCIS data sample. Notwithstanding this, abnormal cost allowances have also been made in respect of site specific appraisals where appropriate, such as in the case of Bishopsgate Goods Yard which has a railway running through the site, or in the case of the former gas works sites where allowances have been made for land remediation costs.

**Site acquisition costs:** As per residual appraisal convention, site acquisition costs of 6.8% have been taken into account and removed as a cost to the developments tested. These costs include, stamp duty, agent and legal fees.

**Site specific mitigation:** Specific allowance have been made for site specific mitigation through section 106 payments. An allowance of £1,220 per unit has been made in this regard – this assumption is consistent with the allowance made in respect of the viability study that supported the adopted CIL Charging Schedule. This is to cover payments made in respect of training contributions required under the Planning Obligations Supplementary Planning Document as well as other potential site specific mitigations such as those that might be requested by TfL. A separate cost allowance has been made for the provision of on-site sustainable urban drainage systems.

**CIL:** Estimates of CIL contributions that will be sought have been applied based on the our adopted Charging Schedule.

**Fees:** In addition to base build costs, schemes will incur professional fees covering design, valuation highways and planning consultants and the cost of preparing and submitting the planning application etc. The appraisals supporting the LP incorporate an allowance of 10-12%, which is at the middle to higher end of the range for most schemes.

**Sales and marketing costs:** The appraisals incorporate an allowance of 3% for marketing costs, which includes show homes and agent fees, plus 0.5% for sales legal fees.

**Finance costs:** The appraisals assume that development finance can be secured at a rate of 7%, inclusive of arrangement and exit fees, reflective of current funding conditions.

**Profit:** The appraisals generally adopt profit based on a % of either gross development value or costs. For market residential development the percentage is 20% on value whereas for affordable residential development it is 6%. For commercial development tested, 20% on GDV cost was also allowed for. For the larger strategic sites tested (Bishopsgate Goods Yard, Billingsgate Market, Crossharbour Town Centre and Leven Road Gas Works), where schemes will take a longer period of time to be delivered, profit was measured on an un-gearred and un-grown internal rate of return ('IRR') basis – the target rate of return for an un-grown IRR has been identified as 13%.

- 2.3.14 The Local Plan Viability Assessment (SED5) conveys the approaches described under this step in more detail.

#### **Step 4: Viability appraisal and tests**

- 2.3.15 Viability testing was undertaken on the basis of the assumptions and inputs described above. This testing informed each iteration of the draft LP with the results expressed in the "Local Plan Viability Assessment" which was published for consultation alongside each draft LP.
- 2.3.16 As described under step 2 above, the typology based viability testing undertaken involved testing a number of different sizes of development: 9 in total. Testing was



also undertaken on a range of nine different geographical areas, based on the borough's CIL zones, where sales values vary.

2.3.17 The typology based viability testing involved testing against four different benchmark land values which are expressed in the table below:

	<b>Use</b>	<b>Description</b>	<b>Benchmark value per gross hectare</b>
<b>1</b>	<b>Higher value secondary offices</b>	This benchmark assumes higher value secondary office space on a hectare of land, with 40% site coverage and 4 storeys. The rent assumed is based on lettings of second hand offices in the borough at £25 per sq ft. We have assumed a £50 per sq ft allowance for refurbishment and a letting void of three years. The capital value of the building would be £46.225 million, to which we have added a 20% premium, resulting in a benchmark of £55.471 million.	£55,470,629
<b>2</b>	<b>Medium value secondary offices</b>	This benchmark assumes medium value secondary office space on a hectare of land, with 40% site coverage and 4 storeys. The rent assumed is based on lettings of second hand offices in the borough at £17 per sq ft. We have assumed a £50 per sq ft allowance for refurbishment and a letting void of 3three years. The capital value of the building would be £25.531 million, to which we have added a 20% premium, resulting in a benchmark of £30.637 million.	£30,637,362
<b>3</b>	<b>Lower value secondary offices / community use</b>	This benchmark assumes lower value secondary office space or community use on a hectare of land, with 50% site coverage and 2 storeys. The rent assumed is based on such lettings of second hand premises in the borough at £12.50 per sq ft. We have assumed a £35 per sq ft allowance for refurbishment and a letting void of three years. The capital value of the building would be £11.923 million, to which we have added a 20% premium, resulting in a benchmark of £14.308 million.	£14,307,614
<b>4</b>	<b>Secondary industrial/ warehousing</b>	This benchmark assumes lower value secondary industrial space on a hectare of land, with 60% site coverage and 1.5 storeys. The rent assumed is based on lettings of secondary industrial floorspace in the borough at £4.95 per sq ft. We have assumed a letting void of two and a half years. The capital value of the building would be £6.243 million, to which we have added a 20% premium, resulting in a benchmark of £7.497 million.	£7,491,054

2.3.18 Some work undertaken subsequent to the submission of the LP to the secretary of state has identified that the vast majority of sites come forward under benchmarks 3 and 4 (please refer the our response to main issue 3 for more information on this). The table below represents an analysis of all residential schemes of 11 units or more permitted between the adoption of the adopted CIL Charging Schedule (1<sup>st</sup> April 2015) and the 31<sup>st</sup> March 2018:

<b>Use</b>	<b>Number of developments coming forward</b>	<b>% of development coming forward</b>

		<b>under this benchmark</b>	<b>under each benchmark</b>
1	Higher value secondary offices	1	4.35%
2	Medium value secondary offices	0	0.00%
3	Lower value secondary Offices / community use	10	43.48%
4	Secondary industrial/ warehousing	12	52.17%
	Total	23	100%

2.3.19 The data in the above table shows that, historically, development has come forward on sites that reflect BLVs 3 and 4, so the results of the tests against these benchmarks should be afforded more weight.

2.3.20 In addition to the typology based testing described above, 14 of the proposed site allocations were tested and some were the subject of sensitivity testing to test different inputs. The site specific testing used bespoke inputs based on the circumstances of the site as well as the relevant policies proposed.

2.3.21 Our approach to selecting the 14 sites for testing is described in more detail under step 2 above. The 14 sites selected for testing are set out below:

<b>Ref</b>	<b>Site name/tested</b>
<b>1</b>	Bishopsgate Goods Yard
<b>2</b>	Bow Common Gas Works
<b>3</b>	Billingsgate Market
<b>4</b>	North Quay
<b>5</b>	Reuters Ltd
<b>6</b>	Limeharbour / Skylines site
<b>7</b>	Marsh Wall East / Thames key site
<b>8</b>	Marsh Wall West / Marsh Wall, Alpha Square
<b>9</b>	Millharbour / Mastmaker Road/ Lightermans Road site
<b>10</b>	Crossharbour Town Centre
<b>11</b>	Leven Road Gas Works
<b>12</b>	Whitechapel South / site bound by Raven Row
<b>13</b>	Millharbour South / 5, 6, 7, 8 Greenwich View Place
<b>14</b>	Marian Place Gas Works and The Oval

2.3.22 In terms of the proposed site allocations, some of them are comprised of more than one development site. In this case, to ensure the realities of delivery are reflected in the viability testing undertaken, an individual development site within the site allocation has been tested. This applies in respect of site allocations 6, 7, 8, 9, 12 and 13 as described in the table above.

### **Step 5: Review outputs, refine and revise the modelling**

2.3.23 We recognised the importance of the undertaken approaches to viability being transparent and available to comment on the findings. At each stage of consultation, the Local Plan Viability Assessment was made publicly available.

2.3.24 Senior officers from the London Borough of Tower Hamlets as well as the Lead Member for Regeneration and Waste were engaged regularly in respect of the viability testing undertaken and representations received.

2.3.25 Following each consultation, we considered the representations received and refined the tests undertaken as necessary to ensure the plan policies are deliverable.

2.3.26 This iterative process ensures that the plan's housing requirements and other policies are deliverable within the principles of sustainable development.

- 2.3.27 The testing undertaken incorporates natural buffers to viability which includes the allowance of a contingency on construction costs as well as conservative approaches to values and a blanket premium of 20% in arriving at the benchmark land values.
- 2.3.28 In accordance with good practice, we will keep the adopted plan under review, including the impacts of the policies on the viability of development. This will help ensure that the policies will remain viable in the face of changing market conditions. Further detail is set out in part 5 of the LP.

**2.4 Policy S.SG1 (page 26) states that new development in the borough will be directed towards the opportunity areas and/or highlight accessible locations along transport corridors. Para 26 advises that these locations should have access to good links to public transport, cycling and walking networks. Is the policy precise and clear in this regard? How will the criteria be assessed in practice?**

- 2.4.1 In the interests of clarity and consistency, part A of the policy will be amended to make it clear that development will be directed towards "highly accessible locations" which have "good links to public transport and other non-car modes and local services", ensuring consistency with paragraph 2.6 of the supporting text (see PSMM10).
- 2.4.2 Accessibility to the public transport network will be measured using the Transport for London's Public Transport Accessibility Levels (PTAL)., PTAL provides an accurate measure of the accessibility of the location to public transport network, taking into account walk access time and availability of services (as explained in paragraph 11.10 of the LP in section 3). In addition, 200 metres (equivalent to around three minutes walking time) will be used as a proxy to determine the accessibility of the location to the green grid network (see policy D.OWS3 and paragraph 8.41). The proximity of the site to an existing town centre (as identified in policy S.TC1) will be used as a measure of accessibility to local services. All of these designations are shown on the Policies Map.

**2.5 How do the Council envisage policy S.SG2 b (i) will be addressed in development control terms? Is the evidence links box here correct or should reference also be made to the wider evidence base?**

**How do the Council envisage policy S.SG2 b (i) will be addressed in development control terms?**

- 2.5.1 Policy S.SG2 of the LP is a 'spatial policy' which provides overarching guidance to steer development opportunities across the borough. Spatial policies set out overarching principles that explain how the vision and objectives of the plan will be achieved (see part 1, chapter 1, paragraph 1.8). They sit alongside more detailed policies (known as development management policies) which outline specific mechanisms to deliver the principles set out in the spatial policies.
- 2.5.2 The response to question 2.8 of the inspector's main matters provides the national, regional and local framework and justification for the inclusion of a strategic policy which seeks to ensure development improves health and wellbeing.
- 2.5.3 Within that context, part 2bi of the policy seeks to consider how development can contribute towards delivering healthy environments. Planning applications will be considered against the overarching sustainable development principles set out in policy S.SG2. The supporting text (paragraph 2.20) also clearly explains how the policy will be applied in the development management context: "...developments will be expected to provide details within the planning application statement, identifying how they have met the principles outlined above". A minor modification (see MM22) has already been

provided which delivers greater clarity on how this can be delivered and the evidence base which supports its inclusion and provides further examples.

2.5.4 In addition to this spatial policy, development management policies provide greater detail on how this will be delivered. These include, but are not limited to:

- D.SG3: Health impact assessments;
- D.DH8: Amenity
- D.H3: Housing standards and quality;
- D.ES2 Air quality
- D.OWS3: Open space and green grid; and
- D.OWS4: Water space.

**Is the evidence links box here correct or should reference also be made to the wider evidence base?**

2.5.5 Within that context, it is considered that it could be helpful include a further minor modification (PSMM15) to widen the evidence base links.

**2.6 Does the LP adequately address the issue of neighbourhood planning? Does the LP as submitted accord with national policy in this regard?**

2.6.1 It is considered that the LP adequately addresses neighbourhood planning and accords with national policy requirements.

2.6.2 Part 5 of the LP outlines the relationship between neighbourhood plans and the Local Plan (see chapter 3) and recognises the contribution that neighbourhood plans can make in planning to meet development and infrastructure needs, as required in Planning Policy Guidance (paragraph: 002; reference ID: 12-002-20140306). In addition, specific mention of the role of neighbourhood planning is made in part 4 of the plan (see paragraph 1.8, page 175), which references the role of neighbourhood planning in shaping place making and the need to consult with neighbourhood forums.

2.6.3 In accordance with the NPPF (paragraph 184) which requires local planning authorities to set out clearly their strategic policies in order to support the requirement for neighbourhood plans to be in general conformity with the strategic policies of the development plan, appendix 5 of the LP provides clear guidance on which policies are considered to be strategic in nature (see page 299).

2.6.4 The policy assessment was undertaken in SD05: the 'Tower Hamlets Local Plan Strategic Policy Assessment' (2017), which used the criteria provided in the NPPF (paragraph 156) to assess the policies and site allocations contained within the new draft LP in order to determine which were strategic in nature.

2.6.5 A minor modification will be made to appendix 5 to explain that the policies have been assessed against the criteria set out in the NPPF for the purposes of determining which policies are strategic in nature in the context of neighbourhood planning (PSMM267).

2.6.6 In addition to addressing neighbourhood planning issues, as part of the duty to cooperate, we engaged proactively with neighbourhood forums throughout the preparation of the LP. For instance, we held a workshop solely to engage neighbourhood forums, ensuring they were kept up-to-date on the progress of the new Local Plan, including the development of new evidence base documents, in order to inform the preparation of their own neighbourhood plans. It also provided an opportunity for the forums to feedback any issues in their areas, which were emerging from evidence and consultation they had undertaken, and discuss how they could be addressed in the LP. This process ensured a collaborative approach to plan making in the borough. Further information is available in the Regulation 22 Statement (SD4).

## **2.7 With reference to policy D.SG3 – Health Impact Assessments, can the Council explain the justification for part C of the policy?**

2.7.1 Part C of the policy responds to the recommendations of the Tower Hamlets Joint Strategic Needs Assessment: Spatial Planning and Health (2016) (SED1) which recommends that these uses (open space, betting shops, A5 uses, education facilities, health facilities and leisure or community facilities), due to their specific potential to result in either positive or negative impacts of health outcomes, should be subject to a health impact assessment (HIA). Further detailed evidence on the particular health factors in relation to the uses highlighted are provided in the following documents:

- Open space – Tower Hamlets Joint Strategic Needs Assessment: Spatial Planning and Health (2016) (SED1) (see section 3 on page 3 and section 9 on page 22) and the Open Space Strategy (2017) (SED39);
- Betting shops and A5 uses – Tower Hamlets Joint Strategic Needs Assessment: Spatial Planning and Health (2016) (SED1)(see section 8 on page 19) and Topic Paper: Town Centres (see topics 2 and 3) (2018) (SED35);
- Education facilities - Tower Hamlets Joint Strategic Needs Assessment: Physical Activity – Children and Young People (2010-11);
- Health facilities (Infrastructure Delivery Plan, SD06); Estates and Technology Transformation Fund Policy (NHS England, 2017)<sup>2</sup>.
- Leisure or community facilities - Tower Hamlets Joint Strategic Needs Assessment: Planning and Health (2016) (SED1) (see health profile on page 5); Tower Hamlets Joint Strategic Needs Assessment: Information for Adult Physical Activity (2017) and Tower Hamlets Joint Strategic Needs Assessment: Physical Activity – Children and Young People (2010-11).

2.7.2 The policy requirement is therefore clearly justified through local evidence which demonstrates the links between these uses and the health of the population. It is also important to note that the requirement to undertake an HIA process is due to the evidenced potential for such uses to have health impacts (positive or negative). The HIA provides an opportunity for this to be explored in more detail in relation to the specific development and thereby enable the applicant to demonstrate how their development will mitigate any specific negative health impacts and enhance any specific positive health impacts. The requirement to undertake an HIA does not pre-empt its outcome.

### **In what way is this part of the policy aligned with policy 3.2 of the London Plan?**

2.7.3 It is recognised that this requirement goes beyond that outlined in policy 3.2C of the London Plan (GLA, 2016) (SD07) which suggests that the health impacts of major developments should be assessed. However, it is noted that the London Plan (2016) (SD07) does not seek to limit the application of health impact assessments (HIAs), and in part E of policy 3.2 states that boroughs should (in preparing LDFs) (part c) *'integrate planning, transport, housing, environmental and health policies to promote the health and wellbeing of communities'*. In addition, the emerging London Plan (2017) (SD08) policy GG3 (part D) suggests a wider role for HIAs: *'Assess the potential impacts of development proposals on the health and wellbeing of communities, in order to mitigate any potential negative impacts and help reduce health inequalities, for example through the use of Health Impact Assessments.'*

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<sup>2</sup> This document sets the objectives for delivering high quality health facilities and notes that Health care facility needs are evolving rapidly, and the direction of that evolution is difficult to forecast with any certainty. HIAs consider both the distribution of impacts (especially non-medical health determinants) as well as clinical health. This requires special attention to causal pathways that may explain associations between specific factors and health inequalities. Vulnerable populations are heavy users of health care services, and conducting HIAs will mitigate against adverse effects to health through development and promote health through planning and design

2.7.4 In this context, the evidence-based identification (see response to the first part of question 2.7 above and response to 2.8 below) of those uses and locations where there are the greatest opportunities to enhance the positive health impacts and mitigate the negative health impacts of development ensures that HIAs are used in a targeted way and address the wider LP objectives.

2.7.5 As referenced in paragraph 2.22 of the supporting text, our public health service (reflecting the objective in the Health and Wellbeing Strategy (2017) (SED7)) is working alongside the planning service to develop further localised guidance (based on the HUDU framework) to support applicants and the planning service to deliver meaningful HIAs which address local concerns. They are also ensuring that they have sufficient capacity to review and support the HIA process.

2.7.6 To ensure that HIAs are utilised where they are considered to have the greatest impact, a further major modification to this policy has been proposed (MJM1):

*1. The following developments are required to complete and submit a **rapid** health impact assessment as part of the planning application.*

*a. ~~Major developments.~~*

*a b. ~~New-Major~~ development within an area of sub-standard air quality (as shown on the Policies Map).*

*b c. Developments which contain any of the following uses:*

*i. Education facilities.*

*ii. Health facilities.*

*iii. Leisure or community facilities.*

*iv. A5 uses (hot-food-takeaways).*

*v. Betting shops.*

*vi. Publicly accessible open space.*

## **2.8 In relation to policy S.SG2, p 29 – (b(i) is the wording justified and effective?**

2.8.1 The National Planning Policy Framework (NPPF) requires Local Plans to promote healthy development. In this regard, policy S.SG2 of the LP expresses the national priority set out in paragraph 69 in the NPPF as well as the strategic priority expressed in policy 3.2 in the London Plan (2016) (SD07) and in policy GG3 (part A) of the emerging London Plan (2017) (SD08): *'Ensure that the wider determinants of health are addressed in an integrated and co-ordinated way, taking a systematic approach to improving the mental and physical health of all Londoners and reducing health inequalities'*. In addition to the strong direction from the NPPF and London Plan to explicitly consider health and well-being in the preparation of local plans, the LP evidence base justifies the focus on improving the borough's health and wellbeing.

2.8.2 First of all, it is important to understand the significance of health and well-being in the context of Tower Hamlets. *'In Tower Hamlets, people typically start to develop poorer health around ten years earlier than London and England. On average, a man living in the borough starts to develop health problems from the age of 54 compared to 64 in the rest of the country. For a woman, it is 56 compared to 64. Levels of life expectancy in the borough are lower than anywhere else in England'* (Health and Wellbeing Strategy (2017) (SED7) (page 7). Improving health in the borough is therefore one of our strategic priorities.

2.8.3 One of the five themes of the Health and Wellbeing Strategy is creating a healthier place (changes to our physical environment). This is considered to be important because *'evidence strongly suggests that our environment (both in and outside) has an impact on our health and wellbeing. This includes the quality of our air; the condition of our homes; the safety and infrastructure of our localities (e.g. parks and roads); the*

*promotion of everyday walking and cycling; the availability of affordable healthy food; and access to places where we can meet and socialise with other people'* (Health and Wellbeing Strategy - see page 14). Indeed, *'studies looking at the contribution to overall health of different factors estimate environment and socioeconomic factors contributing 60% whilst healthcare only accounts for up to 25%'* Tower Hamlets Joint Strategic Needs Assessment: Planning and Health (2016) (SED1). This is particularly apparent in Tower Hamlets, due to its *'higher levels of air pollution; lower standards of housing; overcrowding; high number of fast food outlets and a high number of road traffic accidents. Whilst the borough has one of the highest levels of new development in London, it also has one of the lowest expanses of green space'* (Health and Wellbeing Strategy (2017) (SED7) (page 14).

2.8.4 The LP is seen as one of the key means of addressing these health issues and delivering against this theme.

2.8.5 These health issues and how the LP can address them are explored further in the Tower Hamlets Joint Strategic Needs Assessment: Planning and Health (2016) (SED1) (in particular topic 1: Spatial Planning and Health).

2.8.6 Policy S.SG2 summarises the ways in which development should contribute to a healthy environment. These factors are based on the findings set out in the Health and Wellbeing Strategy (2017) (SED7) and Tower Hamlets Joint Strategic Needs Assessment: Planning and Health (2016) (SED1) and other relevant studies.

<b>Factors which create a healthier environment</b>	<b>Role of planning and development to deliver these factors</b>	<b>Local health evidence to support these actions</b>
Encouraging physical activity	<ul style="list-style-type: none"> <li>• Delivering publically accessible open space</li> <li>• Delivering sports and leisure facilities</li> <li>• Incorporating active design and active travel principles</li> <li>• Delivering healthy streets</li> </ul>	<ul style="list-style-type: none"> <li>• Local need to reduce childhood obesity (currently childhood obesity levels of our 4-5 year olds and 10-11 year olds are significantly higher than national levels). Health and Wellbeing Strategy (2017) (SED7)</li> <li>• Access to green spaces can increase levels of physical activity for all ages. Tower Hamlets Joint Strategic Needs Assessment: Planning and Health (2016) (SED1)</li> <li>• Prevalence of Type 2 diabetes and mortality for Cardio-vascular disease is higher than for England. Tower Hamlets Joint Strategic Needs Assessment: Planning and Health (2016) (SED1)</li> </ul>
Promoting good mental and physical wellbeing	<ul style="list-style-type: none"> <li>• Delivering publically accessible open space</li> <li>• Delivering high quality residential environments, including outdoor private amenity space</li> <li>• Delivering sports and leisure facilities</li> <li>• Delivering community facilities</li> <li>• Reducing access to unhealthy services</li> </ul>	<ul style="list-style-type: none"> <li>• Improve sunlight exposure which is important in reducing Vitamin D deficiency (widespread amongst the borough's children). Health and Wellbeing Strategy (2017) (SED7)</li> <li>• Factors which are protective to mental wellbeing include: social participation and large social networks, lifelong learning and education (are associated with promoting cognitive capacity, self-esteem, employment chances and income) and at a neighbourhood level, regeneration and access to green spaces improves mental wellbeing. Tower Hamlets Joint Strategic Needs Assessment: Planning and Health (2016) (SED1).</li> <li>• Tower Hamlets is estimated to have</li> </ul>

		<p>a higher level of problem gambling than the national average. Topic Paper: Town Centres (2018) (SED 35)</p> <ul style="list-style-type: none"> <li>• Tower Hamlets has a higher than average number of fastfood outlets and areas. Exposure to areas with a high density of take away outlets is associated with excess consumption of takeaway foods and excess body weight. Topic Paper: Town Centres (2018) (SED 35)</li> </ul>
<p>Reducing environmental factors which can contribute to poor health, including poor air quality.</p>	<ul style="list-style-type: none"> <li>• Improving air quality, through meeting the 'air quality neutral' standard</li> <li>• Reducing noise levels or exposure to noise</li> <li>• Reducing overheating</li> </ul>	<ul style="list-style-type: none"> <li>• Over 15% of the population are exposed to high noise levels from transport during the daytime. Tower Hamlets Joint Strategic Needs Assessment: Planning and Health (2016) (SED1)</li> <li>• The borough is declared as an Air Quality Management area and the European Union's mean annual limit for NO2 is 40µg/m3; this limit is exceeded on all main thoroughfares in the borough. Tower Hamlets Joint Strategic Needs Assessment: Planning and Health (2016) (SED1)</li> </ul>

2.8.7 Given the evidenced poor health outcomes in Tower Hamlets and the wider environmental factors, which planning can influence and which contribute towards these outcomes, a focus on using the LP to improve health has been incorporated from the first consultation draft of the LP (SD02). The importance of this issue is reflected in the vision and key objective 2 of the LP. The inclusion of a spatial policy which seeks to ensure development acknowledges and addresses the role it can play in improving health outcomes is therefore considered justified.

2.8.8 It is also considered effective for the plan to include a spatial policy which addresses such an important national, regional and local issue. The purpose of the wider policy (S.SG2) is to provide a clear strategic direction on the key factors which developments should consider and seek to address to ensure they contribute towards the vision and objectives of the LP. Planning applications will be considered against the overarching sustainable development principles set out in policy S.SG2. The supporting text (paragraph 2.20) clearly explains how the policy will be applied in the development management context: "...developments will be expected to provide details within the planning application statement, identifying how they have met the principles outlined above". In addition, the delivery of each of these factors will also be determined through a range of more detailed development management policies.

**What is meant by 'tenure blind' development (b, iii). Is the policy wording suitably clear?**

2.8.9 'Tenure blind' as defined by CABE in the Building for Life standard is taken to mean: 'Designing homes and streets to be tenure-blind, so that it is not easy to differentiate between homes that are private and those that are shared ownership or rented'. Further guidance on how this is to be delivered is provided in policy D.H3 (see part 2), which states that: 'Affordable housing should not be externally distinguishable in quality from private housing' and within supporting text at paragraph 4.43 (including minor modification MM110).