Our ref: Q240299
Your ref: Ealing CIL Draft Charging Schedule
Email: [redacted]
Date: 10.04.2024

CIL CONSULTATION
LB Ealing
Strategic planning team
Perceval House
14-16 Uxbridge Road
London
W5 2HL
By email: localplan@ealing.gov.uk

Dear Ealing Planning Team,

RE: Ealing CIL Draft Charging Schedule

1 Overview

I am writing on behalf of Valor Real Estate Partners LLP (Valor) in response to your Community Infrastructure Levy Draft Charging Schedule Consultation (DCS).

At this stage, Quod and Valor would like to reserve the right to appear at the public examination of the CIL charging schedule. We also welcome further discussion with Ealing officers on the content of this submission and if there is further evidence we can provide to support further viability review we would be happy to consider that.

About Valor

Valor is a key investor in logistics and industrial real estate across Europe. They have a specialist interest in meeting the needs of urban areas, where logistics space is critical to the efficient functioning of the economy but land supply is highly constrained - such as in Ealing. Valor has already invested in the borough, across four sites totalling over 3.7 million sqft, with capacity for further significant investment to maximise the potential for productivity and employment on its sites.

Valor therefore has a substantial interest in Ealing with capacity to be an important player in meeting the Borough's goals for 'good growth' in the 'Ealing Productivity Arc' as part of the New Local Plan.

Key points

Government guidance on setting CIL rates requires Charging Authorities to consider the impacts of proposed rates on delivering the types of sites and uses set out in their Local Plan.

As we will show below, the proposed rates for industrial and “all other” uses:

- Will impact on the deliverability of the New Local Plan
- Have not been prepared in accordance with the Governments requirements in CIL charge setting.
- Are based on insufficient evidence on land values to justify the levels set.

2 The need for industrial and logistics space

Planning Practice Guidance on setting rates demands that due consideration is given to the impact of rates on Local Plan objectives. Ealing is reviewing its Local Plan (currently at Regulation 19 stage) at the same time as this CIL consultation and therefore it is timely to ensure consistency between the CIL charging schedule, its evidence base, and the Local Plan. Further detail on the Planning Practice Requirements with respect to planning policy is set out in the next Section. Emerging relevant policy is set out below:

Policy SP1 of the New Local Plan (Reg 19 version) sets out the Council’s vision and core to this is the economic growth. Part B states that:

> “B. Ealing will become the ***engine of West London’s new economy***, with growth managed to provide equitable access to jobs that provide decent living incomes that can support genuinely affordable homes for all. We want growth in Ealing to be inclusive so that people can both contribute to and benefit from growth. ***Ealing will grow and diversify its business space, and further strengthen the role of its industrial areas*** [emphasis added].”

Draft Policy SP4 in the New Local Plan expands on this setting out how the Council intends to support “Creating Jobs and Good Growth”. This includes:

- Ensuring efficient use of land so that development on sites is optimised, which will contribute to more sustainable patterns of development and land uses. (SP4.1C)
- Maintaining the existing supply of industrial land on designated and undesignated sites and adding to this where possible. (SP4.2A)
- Managing Strategic Industrial Land (SIL) exclusively for conforming uses and undertaking any necessary consolidation through the plan-making process. (SP4.2B)

The supporting text goes on to say (Para 3.45 and Para 3.53), “Land is a *scarce and increasingly expensive commodity* so making optimal use of land and buildings and ensuring good design in any new development are at the heart of how we enhance our borough.[…] “All sites in industrial use will be expected to make the maximum possible contribution to Ealing’s industrial needs,”

Figure 2.2 of the New Local Plan, which sets out the context for the Spatial Strategy, identifies a ‘Productivity Arc’:

“*which places Ealing in the **centre of west London’s economic activity**, by linking Heathrow Airport and Hillingdon with the proposed HS2 terminal at Old Oak Common. The Arc connects strategic industrial growth opportunities across Perivale, Greenford, Northolt, and Southall to Heathrow [Emphasis added].” (para 2.13)*

This then structures the remainder of the Plan which identifies ‘town level’ policies for sub-areas within the Borough which aims to:

“reinforce and intensify existing Strategic Industrial Locations (SIL) and Locally Significant Industrial Sites (LSIS) within the borough and explore options to improve industrial land and intensify employment, where appropriate.” (para 3.69)

Valor currently has sites in the following Towns, but has aspirations for growth.

- **Acton:** Acton, Warple Way (LSIS)
- **Greenford:** Greenford, Tera 40 Auriol Drive (SIL)

Greenford Draft Policy G6 has the objective:

*“Industrial **Intensification** to **unlock significant new industrial floorspace**, creating new jobs focused in the green, circular and creative sectors.”*

Acton Draft Policy A1 (H) and (M) has the objective:

*“The **protection and intensification** of industrial sites and employment opportunities”*

And
***Development and intensification** of industrial and commercial uses at Local Significant Industrial Sites (LSIS) at The Vale and South Acton on the basis of an agreed masterplan with Ealing Council.*

The evidence base for the Local Plan is supported by the West London Employment Land Review 2021/22 Update. This found:

“For Ealing, CoStar report that Ealing's industrial vacancy rate (2.8%) remains close to a historical low, and a lack of new construction and steady demand for last-mile units should keep it at low levels in the medium term.” (para 1.27)

And:

“Demand is acute and the protection of space and provision of new premises is essential, whilst the upgrading of older stock is desirable. Overall it is critical that in Ealing as much functional industrial floorspace as possible is retained and upgraded; and there is a need to deliver additional floorspace where feasible. “ (paragraph 1.21)

Valor’s sites, situated as they are within LSIS designations are key to the Local Plan’s objectives and any rates that could disincentivise investment need to be evaluated carefully.

As such, the New Local Plan and its evidence base makes clear:

- **The challenge of constrained supply of industrial land, and associated high prices for it**
- **Vacancy rates are low and demand for space outstrips supply; the importance for economic growth, especially “creating jobs and Good Growth”.**
- **The importance of industrial land to that growth**
- **The importance of intensification and efficient use of land**

In this context, setting a £100 per square metre rate for industrial uses, up from a £0 rating currently, needs to be carefully balanced and evidenced, in the context of the New Local Plan, which puts delivery and intensification of these uses as paramount. The £25 per square metre for all other uses, and the £150 per square metre for data centres may also affect the deliverability and viability of industrial and related uses.

3 Government Guidance on Setting CIL Rates

The Government publishes guidance on setting CIL rates as part of its Planning Practice Guidance. This sets out the following:

1. When deciding the levy rates, an authority must strike an appropriate balance between additional investment to support development and the potential effect on the viability of developments. (Paragraph: 010 Reference ID: 25-010-20190901)
2. Authorities should show how “their proposed levy rate (or rates) will contribute towards the implementation of their relevant plan and support development across their area”. In this

case the relevant Local Plan is the London Plan (2021), and the emerging (Regulation 19 Draft) Local Plan (2024)

3 The regulations allow Charging Authorities to apply differential rates in a flexible way, to help ensure the viability of development is not put at risk. (Paragraph: 022 Reference ID: 25-022-20230104)

4 If the evidence shows that the area includes a zone, which could be a strategic site, which has low, very low or zero viability, the charging authority should consider setting a low or zero levy rate in that area. The same principle should apply where the evidence shows similarly low viability for particular types and/or scales of development. (Paragraph: 022 Reference ID: 25-022-20230104)

5 A charging authority must use 'appropriate available evidence' (as defined in the section 211(7A) of the Planning Act 2008) to inform the preparation of their draft charging schedule. (Paragraph: 020 Reference ID: 25-020-20190901)

The charging authority should adhere to this practice, characterised principally by transparent evidence-based assessments in consideration of Local Plan objectives, when setting out its proposed rates.

As will be further outlined below, the key concerns around the evidence used for the industrial rates proposed are:

- Inappropriate benchmark land values which underestimate the viability challenges for investing in industrial space in Ealing
- A lack of evidence to justify the proposed rates for data centres and 'All Other'.

The rates proposed appear to be in contravention of the requirements on Charging Authorities to provide 'appropriate available evidence' as set out in the Planning Practice Guidance.

As indicated above, it is timely and appropriate that the CIL charging schedule is being reviewed at the same time as the Local Plan. This should help to ensure complete consistency of evidence, assumptions and aspirations. At present we consider that the proposed industrial rate is not consistent with either the evidence or the Plan Policy. The inadequacy of the evidence means that the Council is at risk of not having given proper consideration of the impact of the proposed rates on the viability of developments and therefore also on how the rates would prevent the implementation of the Local Plan.

4 Evaluation of Viability Assessment evidence base

The Council has published a 'Local Plan Viability Assessment' (December 2023) alongside the Draft Charging Schedule. This provides the evidence base for the impact of CIL and other obligations on development to meet the requirement for striking the right 'balance' to ensure that the delivery of the sites and scale of development in the Plan are not put at risk.

The report assesses a range of residential and commercial typologies. For relevant commercial uses these include:

- Light Industrial Scheme (Typology 28, 2 stories, 0.5 ha, 6,000 sqm)
- Industrial Scheme (Typology 29, 1 storey, 1 ha, 5,000 sqm)
- Industrial Scheme (Typology 30, 1 storey, 1 ha, 6,000 sqm)
- Data Centre (Typology 23, 0.83 hectares, 2,000 sqm total GIA) – NB the data inputs for this use are not clear as it also states it is 2 stories and 5,000 sqm GIA data centre floorspace)

Low Benchmark Land Values

Local Plan's evidence base and policies (as described above) show that the type of land available for development, and that must come forward for development if Ealing is to meet its Local Plan objectives are characterised by the exact opposite situation to that described in the Viability Assessment's assumptions: high demand for the type of space, resulting in high rentals, lower yields and low vacancies.

The Viability Assessment uses a standard approach to CIL viability assessments including setting the benchmark land values. This assumes that "there is a general lack of demand for the type of space (**i.e. the benchmark land value sites**), resulting in low rentals, high yields and high vacancies (or in some cases no occupation at all over a lengthy period)." (Para 4.41)

This argument is used to justify extremely low benchmark land values, including £3.57m for secondary industrial sites. This is contrary to the New Local Plan and its evidence, which demonstrate that "intensification" is critical, because there is so little underused land and it is in demand.

The Evidence Base does not provide an informed judgement on whether this "one size fits all" standard approach is suitable in the context of Ealing.

As a contrast, the Affordable Workspace Study uses industrial benchmark values of £7.2 million per hectare for general industrial in Ealing, £12 million to £14 million for secondary industrial in the OPDC area and £17.5m for high density secondary office/industrial in OPDC[1]. This is *at least* two - three times the BLV for industrial used in the CIL Charging Schedule. Valor's experience is that values are c.£21m per hectare. This would suggest that the £3.57m used in the assessment is far too low.

The Table below summarises the findings of the assessments based on the four benchmark land values, showing that even with the current assumptions industrial uses are not viable in 2 out of the 4 cases. Using the more realistic (but still low compared to Valor's evidence) figure of £7.2 million per hectare for secondary industrial ***makes all four typologies unviable for industrial use.***

			Per HA>	£10,175,259	£6,656,344	£3,565,943	£500,000
No.	Type	HA	Residual Land Value	BLV1 (Secondary Offices)	BLV2 (Secondary Retail)	BLV3 (Secondary Industrial)	BLV4 (Undeveloped)
23	Data Centre	0.83	4,847,465	£8,445,465	£5,524,766	£2,959,733	£415,000
28	Light industrial scheme	0.50	3,217,453	£5,087,629	£3,328,172	£1,782,971	£250,000
29	Industrial Scheme (50% plot ratio)	1.00	4,013,171	£10,175,259	£6,656,344	£3,565,943	£500,000
30	Industrial scheme (60% plot ratio)	1.00	4,815,804	£10,175,259	£6,656,344	£3,565,943	£500,000

Tables 6.30.1, 6.30.2 and 6.30.3 of the Evidence Base then show the implications of applying policies on Bio-Diversity Net Gain, Urban Greening, and Net Zero carbon (Embodied and Operational). These tables demonstrate that none of the employment land typologies listed are viable after the application of these policies for any of the Benchmark Land Values.

The report suggests the impact of the policy costs, CIL and other obligations will have a relatively small impact on residual land value and that other factors have a more significant impact on viability. Whilst this may be the case, it is only a justification for new CIL rates in situations where the viability assessment's assumptions are true and there are enough underutilised sites which may still come forward the BLVs assumed.

As established by the Local Plan's evidence base, this is broadly not the case.

In the present situation where there is low vacancy and inadequate recent supply, industrial land, even when used for lower intensity uses, generates continuous income streams.

[1] REDO and Volterra, [date not listed], OPDC and Ealing Affordable Workspace Study Table 19 Page 157

Substantial investment in the land that disrupts that income can only happen if it makes up for the period of lost income.

The additional cost of the proposed rates would make it less likely that investments could provide that return meaning that redevelopment will not happen.

The report recommends a rate of £25 should apply to 'all other uses' because other Boroughs "*typically do*", and they "*do not consider that there are any reasons for the Council not to apply a nominal rate across the Borough*."

This line of reasoning does not constitute a suitable evidence-based reason to justify the proposed rates.

It is not true that other boroughs "typically do". The practice in reality is variable and many boroughs, including the neighbouring boroughs of Brent, Hammersmith and Fulham, Harrow, and Hillingdon do not charge an 'All Other Uses' rate. The proposed rate is therefore a deviation from the practice of most neighbouring LPAs and should be justified.

Given that the assessment has identified viability issues for most uses, and the Local Plan encourages mixed use developments that may include the variety of uses that fall under 'All Other' (as part of placemaking, mixed use development and community benefit) a more cautious and evidence-based approach should be applied.

5 Conclusions

In Valor's view, when the more realistic evidence on land values is used, substantial viability challenges are revealed. This more accurately reflects Valor's experience of the financial challenge of investment in Ealing.

The new CIL charges, in combination with other policy requirements, will have the unintended consequence of making it too difficult to promote investment in Good Growth, putting at risk the New Local Plan. Such investments would include measures such as decarbonisation, innovation and modernisation of the industrial and logistics stock, critical to the future functioning of the economy.

It has not been possible to properly evaluate the evidence for data centres and "all other uses" because the evidence is not provided. Absent this evidence, CIL charges should not be imposed.

When using realistic land value assumptions, there will be viability challenges across land types for all commercial typologies and this should be the starting point for any decision on imposing extra cost.

It is therefore not appropriate, on the basis of LB Ealing's own evidence and following the CIL guidance to charge a CIL rate for industrial and data centre development. This should include use Classes B2 and B8, and relevant parts of E Class which provide such uses: E(g)(ii) Research and development of products or processes and E(g)(iii) Industrial processes.

As indicated at the start of this letter, we (both Valor and Quod on their behalf) would like to reserve the right to attend the examination and would welcome the opportunity for further discussion with relevant officers as required.

Please include us in future circulations of information concerning the examination.

Yours faithfully,

[redacted]

[redacted]
Director

cc.
[redacted]