Your ref: Ealing CIL Draft Charging Schedule Consultation 2024
Email: [redacted]
Date: 08 April 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 Policy Team,

RE: Ealing CIL Draft Charging Schedule

1 Introduction/Summary

I am writing on behalf of SEGRO in response to your Community Infrastructure Levy (CIL) Draft Charging Schedule (DCS).

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

SEGRO is one of the largest landowners in Ealing with an extensive industrial land portfolio in the 'Ealing Productivity Arc' identified in the Regulation 19 Draft Local Plan as central to delivering 'good growth' in the Borough. It is an innovative and active provider of business space, testing new models of delivery (including multi-storey space) which will be essential to the delivery of the Local Plan in a place where industrial uses are of regional and national significance.

These representations make specific reference to two issues: the viability of industrial uses, and the information provided on Data Centres in the Viability Study.

Industrial and Warehouse Uses

SEGRO is concerned that while the Local Plan relies on the re-development and intensification of existing industrial floorspace the Viability Study demonstrates that industrial and warehouse uses cannot afford to pay the proposed CIL rate when reasonable assumptions are made about existing use value. Additional policy obligations proposed in the Draft Local Plan worsen this position. The proposed rate is also significantly above the £35/sqm recently adopted by the Old Oak and Park Royal Development Corporation.

The Council should also be aware that by adopting an Industrial rate of £100/sqm which is significantly higher than the proposed rates for other uses such as offices and retail (£0/sqm), and hotels (£50/sqm), the Council will be signalling to investors that the Council is disincentivising industrial development.

Not only is this rate much higher than other proposed uses in Ealing but it would be the highest Industrial CIL rate in London by far.[1] The large majority of boroughs do not charge CIL for industrial uses and the average across London (including the OPDC) is £4.82 (See list of Industrial rates in Appendix A). This signals to investors that other boroughs in London will be better destinations for investment than Ealing.

This contradicts the stated aims in the Local Plan that encourage the growth of industrial employment in the 'Productivity Arc' as outlined below.

It is therefore not appropriate to charge a CIL rate for industrial and warehouse 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. These uses could be removed from the 'all other uses' category and be set at a zero rate.

Data Centres

The evidence on Data Centres provided in the report is very limited and does not provide 'appropriate available evidence' to justify the proposed rate. SEGRO has extensive experience of data centre development and would be happy to engage with Ealing Council and its advisers to address these issues.

We set out more detail on these points below.

[1] Note this excludes Redbridge which does not have an Industrial specific rate but has a flat rate for all development of £70 (£119.60 indexed to 2024).

2 SEGRO in Ealing

SEGRO is one of Europe's largest industrial real estate companies and provides premises for all types of businesses ranging from small businesses to the largest multi-national companies. SEGRO's portfolio includes warehouses, industrial space, data centres and film studios.

SEGRO is one of the major business space providers in Ealing, with large estates in Perivale and Greenford, which will be covered by this Charging Schedule, as well as in Park Royal but within the Old Oak and Park Royal Development Corporation (OPDC) area.

The major estates that are covered by the Ealing Local Plan and Draft Charging Schedule are:

- SEGRO Park Perivale
- SEGRO Park Greenford Central
- SEGRO Park Greenford
- SEGRO Centre Greenford North
- SEGRO Park Fairway Drive (Greenford)
- SEGRO Park Acton

SEGRO actively manages and invests in its estate and therefore has a long-term interest in policy for its sites. It is a leading innovator in the development and management of modern business space including urban multi-storey industrial development. Through its 'Responsible SEGRO' Framework SEGRO is seeking to lead sustainable industrial design and low carbon growth aiming to be net zero carbon by 2030. This includes brand new, best-in-class, carbon neutral units which are currently being delivered at Fairway Park in the Borough.

SEGRO is supportive of LB Ealing following best practice and consulting on its CIL charging schedule alongside its draft Local Plan with a shared evidence base. The Plan makes clear that the investment in existing industrial locations, including intensification, is a priority for the Borough and critical to meeting strategic policy objectives. SEGRO's portfolio and expertise mean that they are a critical partner in delivering these objectives.

SEGRO is therefore interested in the potential effects of the CIL rates in the types of uses within its portfolio. These are:

- Industry: £100/sqm
- Data Centres: £150/sqm
- All Other Uses: £25/sqm

These obligations would be in addition to £60/sqm of MCIL2 for all uses.

SEGRO wishes to continue to be active in Park Royal and for re-development and re-investment to be incentivised to deliver the Local Plan policy requirements and wider aspirations.

SEGRO wishes to work collaboratively with LB Ealing to ensure that CIL is set in a way that allows it to continue to deliver development viably and would be happy to share further evidence with you and your advisers to demonstrate potential impacts on development.

3 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: 25-022-20190901)
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: 25-022-20190901)

4 Delivering the Relevant Plan

Policy SP1 of the draft Plan sets out the Council's vision. 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."

Draft Policy SP4 expands on this setting out how the Council intends to support "Creating Jobs and Good Growth". This includes:

- Ensuring that the most efficient use of land is made 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)

Figure 2.2 of the Draft 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." (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)*

Two of those sub-areas are Greenford and Perivale, in which the SEGRO estates described above are located. Each has a separate Chapter of the draft Plan with area specific policies. Both include reference to the need to secure re-investment and intensification, retain existing businesses and attract new higher value added sectors. The Plan has a strong focus on re-balancing housing and employment growth with a focus on securing more jobs.

There are sector specific policies in each of the Chapters to promote intensification, retrofit, and job creation including in green and circular economy sectors. These are set out in Policy G6 (Greenford) and Policy P5 (Perivale).

The strategic and area specific policies are supported by several relevant Development Management Policies. These include:

- Policy E3 on Affordable Workspace: which is subject of a separate evidence base and viability assessment. Which does not include any allowance for LB Ealing CIL and Section 106 obligations significantly lower than the proposed CIL rates. This includes a requirement for either on site provision for industrial uses equivalent of 5% of net floorspace (we would note that this should be clarified to confirm net 'additional' floorspace) where that exceeds 3,000 sqm, to be provided at an 80% discount for 15 years. It allows for an equivalent off site contribution below the 1,000sqm threshold
- Policy E4, stating that industrial intensification and re-use will be the primary consideration for industrial land, that there is no identified capacity for release and that sites in Strategic Industrial Locations will only accommodate conforming uses;
- Policies on Operational Energy Performance (Policy OEP) and Embodied Carbon (ECP) which set challenging targets for new development including warehouses and industrial.

It is clear therefore that the re-investment and re-development in SEGRO's sites is critical to the implementation of the Local Plan.

These policy requirements will, where appropriate, be secured through planning conditions and obligations which will potentially impose significant costs on development.

To be viable any development will need to be able to incorporate these costs along with other development costs and deliver a viable return. In virtually all cases in the Park Royal area there are existing uses on site which will trigger these policies, and there will also be site specific costs including infrastructure and access and in some cases remediation and site preparation which also need to be taken into account. CIL rates should be set with reference to these policies as well as other more standard requirements.

We note that in relation to the affordable workspace policy the OPDC's Planning Obligations SPD, which uses the same evidence base as the Draft Ealing Local Plan policy, allows for a negotiated approach, reflecting viability concerns raised at consultation. It states:

"A lower quantum of floorspace (below this thresholds) may be considered appropriate for on site provision if it can be demonstrated that this would meet needs. Vice-versa, an in lieu contribution may be more appropriate for certain schemes above the thresholds. This would be considered on a case-by-case basis."

SEGRO suggest that a similar approach should be taken in this policy, given the cumulative impacts of proposed obligations identified in the following section of this letter.

SEGRO also notes that within the OPDC, there is a nil rate for "Enclosed access roads, ramps and service yards within multistorey industrial developments". This policy is necessary where a Local Plan wishes to encourage intensification of industrial sites because these spaces only exist to facilitate schemes with multiple storeys and design solutions to providing high quality industrial space on constrained sites. In low density industrial developments these areas do not have to be enclosed (and therefore would not be relevant). A nil rate should therefore also be applied here to avoid discouraging the intensification of industrial sites and innovative design solutions.

5 Viability Evidence: Community Infrastructure Levy Viability Study

The Council has published a 'Local Plan Viability Assessment' (December 2023) alongside the Draft Charging Schedule and Regulation 19 Draft Local Plan. This is intended to provide the context for judging the impact of CIL and other obligations on development and in 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 takes a standard approach to CIL viability assessment covering a range of residential and commercial appraisals. For relevant commercial uses these include:

- 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)
- 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)

As we have noted above the delivery of the Regulation 19 Draft Local Plan is dependent on development and intensification in Strategic Industrial Locations including Greenford and Perivale.

The evidence base for the 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)

In short, the main opportunity to meet the Council's objectively assessed need for employment floorspace is on existing high quality industrial land which is already in active use. Such an approach needs to be incentivised to ensure that Developers can achieve appropriate returns on any investment. Otherwise, in a tight market with low vacancy the incentive is to make minor incremental improvements to maintain occupancy of current stock.

However, the Viability Assessment does not test such sites and instead explicitly assumes that "*there is a general lack of demand for the type of space (**ie 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)

As a result, the report uses unrealistically low benchmark land values for Industrial Uses of £3.57 million per hectare. By comparison, the Affordable Workspace Study uses industrial values of £7.2 million per hectare for general industrial in Ealing and £12 to 14 million for secondary industrial in the OPDC area. In SEGRO's experience, estates in Ealing (Acton, Greenford, Perivale) are valued at closer to £20 million per hectare.

The highest benchmark land values in the report are for Secondary Retail and Secondary Office values (£6.6 million and £10.1 million respectively) set out in Table 4.42.1, and even then these are lower than realistic values described above. Unlike vacant or greenfield sites current industrial land, even for open storage, generates ongoing income streams, and any re-development requires returns to exceed this, covering costs of re-development and lost income during the re-development period. Otherwise re-development simply won't happen.

The Table below summarises the findings of the assessments based on the four benchmark land values. This demonstrates that, for the two higher land values, which are significantly lower than a realistic level for current estates (the types of sites on which the plan relies and SEGRO has an interest development) development is not viable.

			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, then show the implications of applying policies on Bio-Diversity Net Gain, Urban Greening, and Net Zero carbon (Embodied and Operational). These demonstrate that none of the data centre or industrial typologies are viable after the application of these policies for any of the Benchmark Land Values.

The report goes on to suggest that the cumulative 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. In circumstances where employment development is critical to the delivery of the plan, vacancy is low and there has been low recent construction, it is absolutely critical that additional burdens are not added to that development which disincentivise owners and landowners from re-investing in their sites.

In SEGROs view, the combination of additional policy requirements and a new CIL charge will have the unintended consequence of reducing development, significantly disincentivising intensification/modernisation/decarbonisation which the plan seeks to encourage, and therefore put at risk the Council's good growth objectives and the benefits that new development will bring.

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 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.

On the specific inputs to the assessment, we would make the following points, which would tend to worsen the viability:

- The appraisals do not take into account requirements for re-location, including decanting and interim moves as part of any re-development, and requirements for bespoke replacement property. Given the focus of policy on intensification this should have been included;
- The Build Costs appear low, possibly reflecting in part the sharp inflation since the initial inputs were sourced. The costs for industrial typologies in the report range from £113 to £134 per sqft , whereas SEGRO's recent experience has been costs ranging from c. £160/sqft to c. £300 to £400/sqft for multi-storey or intensive/specialist development;
- The Local Plan in part relies on the intensification of employment uses in the SIL. As the Council is aware multi storey industrial/warehouse developments are not yet common. SEGRO has been

involved in one of the only multi-storey developments in London (X2 at Hatton Cross) and is on site with V-Park Grand Union, in Park Royal. SEGRO's experience in developing these proposals has been that they have higher development costs (see previous point) as well as a lower rents on the upper floors. In addition, valuers will also apply a higher yield than traditional industrial in order to reflect the more bespoke nature of the asset;

- Professional fees are typically 12.5% as opposed to 10% in the report.

Data Centres

In relation to the Data Centre appraisals, significantly less information is provided about the appraisal inputs and as we note above, the summary of the Data Centres appraisal is unclear on what areas and assumptions were tested.

Table 4.11.1 sets out the rents, yields and rent free period for commercial uses. The source for this information is identified as Co-Star with the background set out in Appendix 3. That appendix shows retail, office and industrial uses but as far as we can identify no Data Centre comparables.

In terms of development costs the assessment appears to use a BCIS median general cost. It is again unclear whether any utilities or other costs are included in the assessment.

The data centre market has different models, for example SEGRO is a shell developer of Data Centres not an operator. It is unclear which model is used in the assessment.

On this basis we don't think that the report provides 'appropriate available evidence' to support the proposed rates in the Charging Schedule which are higher than industrial, and warehouse uses. SEGRO has extensive experience of data centre development and is Europe's leading shell data centre provider having built over 30 data centres. They would be happy to engage with Ealing Council and its advisers to address these issues.

6 Summary and Conclusions

SEGRO is a key landowner in Ealing and will play a central role in helping deliver the Local Plan vision and targets. It is keen to work positively with the Council to ensure that policy requirements, including CIL, are appropriate and will incentivise development, noting that in most cases this will involve expensive re-development.

As we have set out above SEGRO's current view is:

- Industrial, workshop and warehouse uses, including re-investment, re-development and intensification are critical to achieving the Local Plan outcomes and are central to the future of the area. Ealing Council's own evidence suggests that such development does not achieve EUV benchmarks and it is therefore inappropriate to set a CIL rate for these uses;
- For Data Centres the Viability Study does not provide sufficient evidence to understand how the proposed rate was arrived at therefore doesn't provide 'appropriate available evidence' to justify the proposed rates.

SEGRO is keen to work with LB Ealing to address these issues before the Charging Schedule is submitted for Examination. In the meantime, they would like to reserve the right to be represented at any Examination Hearing.

If you require further information please do not hesitate to contact me.

Yours sincerely

[redacted]

7 Appendix A

Council	Industrial Rate	Adoption year	2024 indexation
Barking and Dagenham	£5	2015	£7.36
Brent	£0	2020	£0.00
Bromley	£0	2021	£0.00
Croydon (outside Metropolitan Centre)	£0	2013	£0.00
Hammersmith and Fulham	£0	2015	£0.00
Harrow	£0	2013	£0.00
Hillingdon	£5 (B8)	2014	£7.97
Hounslow	£20	2015	£29.42
Lambeth	£0	2022	£0.00
Merton	£0	2014	£0.00
OPDC	£35	2023	£37.56
Richmond	£0	2014	£0.00
Wandsworth	£0	2012	£0.00
Sutton	£0	2014	£0.00
Tower Hamlets	£0	2020	£0.00
Barnet	£20	2022	£22.95
Bexley	£10	2015	£14.71
Camden	£0	2020	£0.00
Enfield	£0	2016	£0.00
Greenwich	£0	2015	£0.00
Hackney	£0	2015	£0.00
Haringey	£0	2022	£0.00
Havering	£0	2019	£0.00
Islington	£0	2014	£0.00
Kensington and Chelsea	£0	2015	£0.00
Kingston upon Thames	£20	2015	£29.42
Lewisham	£0	2015	£0.00
Newham	£0	2014	£0.00
Redbridge	£70 (flat rate across all uses)	2012	£119.60
Southwark	£0	2017	£0.00
Waltham Forest	£0	2014	£0.00
Westminster	£0	2016	£0.00
London average excluding Redbridge flat rate for all uses (which is an outlier)			£4.82
London average including Redbridge flat rate for all uses (which is an outlier)			£8.41