DRAFT MDF CONTENT ON MCIL 2

REQUEST FOR MAYORAL DECISION – XXXX

Title:Preliminary Draft Charging Schedule (PDCS) for proposed changes to the Mayoral Community Infrastructure Levy (MCIL) – approval of PDCS document

Executive Summary

This Mayoral Decision Form asks the Mayor to agree a PDCS document, with annexes, setting out proposals for revisions to the MCIL. The PDCS will then be published as the start of the process of changing the MCIL, which involves further consultation and then an Examination in Public. The new proposals (MCIL2) are designed to increase the revenue from MCIL and to incorporate the existing Crossrail 1 Section 106 scheme in it. The target date for the change is April 2019. The document also contains advance notice of further changes with a target date of 2024. MCIL2 is forecast to raise 15% of Crossrail 2 funding, on a basis consistent with the affordable housing target. Publishing the PDCS gives the Mayor an opportunity to make a public statement on Crossrail 2.

Decision:

That the Mayor:

1. Agrees the content of the draft PDCS, including the summary of proposed changes included with it
2. Notes the findings and conclusions of the viability evidence prepared by Jones Lang Lasalle (JLL) in support of the PDCS
3. Agrees that the PDCS should be published for consultation
4. Authorises GLA and TfL expenditure in support of consultation, to be funded from the 1% administrative charge

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Standard text and signature

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Confidential advice to the Mayor

Introduction

1. The PDCS document and the supporting analysis will be public information. But the details of the Crossrail 2 funding and the state of the discussions with the Government are not, and the Strategic Outline Business Case (SOBC) has been submitted as a private document. This section refers to both and so is confidential.

2. Growth Board discussed the Mayoral Community Infrastructure Levy (MCIL) on 29 November 2016 as part of Crossrail 2 funding, and after further discussions the Mayor agreed a paper on 8 December. Those papers contained initial proposals for MCIL 2 with:

    a. increased rates from 2019;
    b. advance notice of a further increase in 2024;
    c. the Crossrail 1 S106 subsumed into MCIL 2;
    d. an agreed forecast of development, consistent with affordable housing plans;
    e. and a funding line for Crossrail 2.

3. On 14 February the Mayor agreed publication of the biennial review of the existing MCIL. MCIL receipts have stayed strong over the course of [this] financial year and we are on track to reach the £600 million combined MCIL/S106 target by April 2019, and possibly up to one year earlier. Total amount of MCIL/S106 raised to date is £438 million, with the next receipts due in April. The Crossrail 2 Strategic Outline Business Case (SOBC) was submitted to Government on 6 March for approval. SOBC highlights MCIL 2 as an important funding source for the project, especially during the construction phase.

4. GLA/TfL submitted a paper to Deputy Mayors on 7 March asking for guidance on some detailed questions including:

    a. The banding of the boroughs
    b. The treatment of the two Mayoral Development Corporations (MDCs)
    c. The boundaries of the Central London and Docklands contribution area
    d. The removal of the differential between Docklands compared to Central London
    e. Whether there should be station zones for Crossrail 1 or Crossrail 2 stations.

5. The Government has now published the Housing White Paper and the Liz Peace review of CIL nationally. There will be no decisions on CIL before the Autumn Budget. The Liz Peace review commented on the MCIL's simplicity, universal applicability and use for a single scheme and noted that it was frequently cited as a success story.

6. The PDCS document is consistent with the decision in December and the further guidance in March. It is also supported by the JLL work on viability. And the forecasts for funding are those assumed in the SOBC document.

Key issues

Charging rates

7. The proposed charging rates are in the tables in Annex 1, with no changes since December. The top and middle bands of boroughs have an increase of approximately £15 a square metre over forecast tender inflation. There is no increase for the bottom band of boroughs. These rates would apply to residential property everywhere, and to commercial property outside Central London and Docklands. The discretionary exemption for health and education would continue to apply.

8. The charging rates for commercial property in Central London and North Docklands have changed. We looked with JLL at a single charge for all commercial development in those areas. The higher rates for Docklands came from the S106 policy and the greater reliance of Docklands on a few public transport links; the justification looks weaker when using the CIL approach of viability, where Docklands rents are typically below those in Central London. On the other hand there is concern that a significant rise in hotel and retail markets to the office rate could affect those markets.

9. The proposed compromise is to have separate office, retail and hotel rates, but to apply the same three rates to Central London and Docklands. We also recommending flagging a move to a single rate in 2024.

What are the changes to the charging zones?

10. The proposed compromise is to have separate office, retail and hotel rates, but to apply the same three rates to

Annex 1. Table of proposed MCIL 2 charging rates

Proposed borough-wide MCIL 2 rates

Proposed MCIL 2 charging band*	Current rates - no indexation (per sq m)	Current rate + indexation to Q3 2016 (per sq m)	Current rate + indexation to Q3 2016 + forecast to Q2 2019 (per sq m)	Proposed MCIL 2 rate from April 2019 (per sq m)
Band 1 - current and proposed core CIL rates	£50.00	£64.57	£65.25	£80.00
Band 2 - current and proposed core CIL rates	£35.00	£45.20	£45.67	£60.00
Band 3 - current and proposed core CIL rates	£20.00	£25.83	£26.10	£25.00

Source: JLL report *MCIL 2 – working towards PDCS [**draft**,* 21 February 2017, table 8, page 25]

* We are proposing a continuing MCIL rate of nil for health and education premises.

Proposed Central London and Isle of Dogs MCIL 2 office/retail/hotel rates

	Current S106 rates - no indexation (per sq m)		Current S106 rate + indexation to Q3 2016 (per sq m)		Current S106 rate + indexation to Q3 2016 + forecast to Q2 2019 (per sq m)		Proposed MCIL 2 rate from April 2019 (per sq m)
	Central London	Isle of Dogs	Central London	Isle of Dogs	Central London	Isle of Dogs	Central London and Isle of Dogs
Office	140.00	190.00	153.77	208.69	£162.09	£219.98	185.00
Retail	90.00	121.00	98.85	132.90	£104.20	£140.09	165.00
Hotel	61.00	84.00	67.00	92.26	£70.62	£97.25	140.00

Annex 2. Average and median house price changes by MCIL charging bands

Borough	Average House Price (as per HPI data April 2010)	Borough	Average House Price (rebased HPI data April 2010)	Borough	Median House Price (as per ONS data Q1 2010)	Borough	Average House Price (as per HPI data November 2016)	Borough	Median House Price (as per ONS data Q2 2016)
Kensington and Chelsea	£866,295	Kensington and Chelsea	£818,816	Kensington and Chelsea	£700,000	Kensington and Chelsea	£1,303,778	Kensington and Chelsea	£1,200,000
City of Westminster	£623,963	City of Westminster	£590,583	City of Westminster	£525,000	City of Westminster	£1,021,027	City of Westminster	£950,000
Camden	£553,706	Camden	£499,767	Camden	£425,000	Camden	£872,390	City of London	£797,250
Hammersmith and Fulham	£494,064	Hammersmith and Fulham	£488,087	Hammersmith and Fulham	£425,000	City of London	£790,439	Camden	£750,000
City of London	£492,982	City of London	£458,246	City of London	£424,000	Hammersmith and Fulham	£744,965	Hammersmith and Fulham	£745,000
Richmond upon Thames	£430,008	Richmond upon Thames	£417,128	Richmond upon Thames	£387,000	Islington	£673,350	Wandsworth	£605,000
Islington	£423,250	Islington	£393,892	Wandsworth	£359,950	Richmond upon Thames	£650,272	Richmond upon Thames	£600,000
Wandsworth	£373,641	Wandsworth	£379,075	Islington	£350,000	Wandsworth	£609,373	Islington	£599,975
Hackney	£361,035	Barnet	£327,955	Barnet	£300,000	Hackney	£564,536	Hackney	£520,000
Southwark	£355,831	Haringey	£304,766	Tower Hamlets	£297,500	Haringey	£559,173	Southwark	£500,000
Barnet	£345,734	Hackney	£298,084	Lambeth	£285,000	Barnet	£534,221	Lambeth	£488,000
Tower Hamlets	£340,867	Kingston upon Thames	£295,162	Southwark	£285,000	Southwark	£532,071	Barnet	£465,000
Haringey	£333,591	Merton	£294,295	Kingston upon Thames	£280,000	Lambeth	£526,622	Haringey	£462,000
Lambeth	£331,534	Lambeth	£294,294	Hackney	£279,000	Merton	£507,901	Ealing	£459,950
Merton	£318,072	Southwark	£292,880	Brent	£272,250	Brent	£500,605	Merton	£450,000
Ealing	£315,637	Tower Hamlets	£288,964	Ealing	£270,000	Tower Hamlets	£484,861	Tower Hamlets	£446,700
Kingston upon Thames	£311,368	Harrow	£288,144	Haringey	£265,000	Kingston upon Thames	£479,238	Kingston upon Thames	£444,500
Brent	£302,630	Brent	£287,902	Harrow	£265,000	Ealing	£475,704	Brent	£427,250
Redbridge	£286,344	Ealing	£285,639	Merton	£260,000	Harrow	£465,604	Harrow	£425,000
Harrow	£286,017	Bromley	£266,897	Bromley	£250,000	Waltham Forest	£438,294	Waltham Forest	£400,000
Bromley	£283,643	Hounslow	£252,274	Hounslow	£241,475	Bromley	£435,465	Bromley	£399,995
Hounslow	£276,168	Redbridge	£244,146	Redbridge	£235,500	Hillingdon	£407,202	Hounslow	£382,500
Greenwich	£265,237	Hillingdon	£244,122	Hillingdon	£232,500	Lewisham	£404,616	Lewisham	£380,000
Lewisham	£261,444	Enfield	£239,051	Greenwich	£230,000	Redbridge	£397,413	Hillingdon	£375,000
Hillingdon	£259,175	Sutton	£234,859	Enfield	£227,000	Enfield	£395,044	Greenwich	£375,000
Havering	£256,611	Lewisham	£226,054	Lewisham	£220,000	Hounslow	£389,458	Redbridge	£370,000
Enfield	£255,528	Waltham Forest	£225,011	Waltham Forest	£219,500	Sutton	£372,926	Enfield	£360,000
Sutton	£247,133	Greenwich	£222,902	Sutton	£216,500	Newham	£369,236	Sutton	£335,000
Croydon	£245,747	Croydon	£222,847	Croydon	£205,000	Greenwich	£368,226	Newham	£334,500
Waltham Forest	£241,338	Havering	£217,821	Newham	£205,000	Croydon	£367,076	Croydon	£326,500
Bexley	£231,601	Bexley	£202,739	Havering	£204,000	Havering	£358,805	Havering	£314,750
Newham	£221,403	Newham	£202,170	Bexley	£200,000	Bexley	£335,076	Bexley	£310,000
Barking and Dagenham	£213,777	Barking and Dagenham	£162,756	Barking and Dagenham	£160,000	Barking and Dagenham	£288,873	Barking and Dagenham	£265,000

Source: JLL report *MCIL 2 – working towards PDCS* [***draft***, 21 February 2017, table 2, page 11.]

Band 1 boroughs – current MCIL rate of £50 per square metre (2012 prices)

Band 2 boroughs – current MCIL rate of £35/sqm (2012 prices)

Band 3 boroughs – current MCIL rate of £20/sqm (2012 prices)