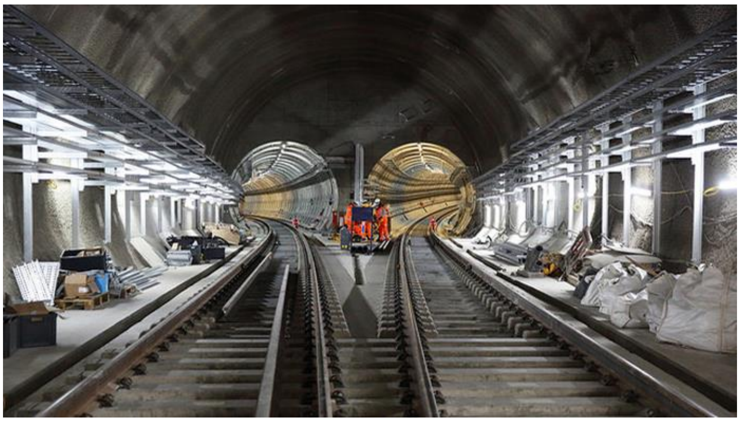
MAYORAL CIL2 CONFIRMED BY PUBLIC EXAMINER
EXPECTED TO BOOST MCIL RECEIPTS BY £2Bn OVER NEXT TEN YEARS



First suggested in summer 2017, Greater London Authority Chief Planner, Juliemma McLoughlin, confirmed yesterday (28-02-2019) that the Community Infrastructure Levy applicable across London Boroughs, known widely as Mayoral CIL, is to be replaced with increased rates – a new MCIL2 – that will supercede the current MCIL rates from 1st April 2019.

MCIL2 will also extend CIL liability into various commercial projects, particularly office, retail and hotel projects in Central London and Docklands; over and above the existing application to residential development throughout Greater London.

The London Mayor's current Community Infrastructure Levy (MCIL1) was introduced in 2012 to help finance Crossrail, the delayed 'Eliazbeth Line' rail link that will connect central London to Reading and Heathrow in the West; and Shenfield and Abbey Wood in the East.

The new MCIL2 will be effective from 01 April 2019, superseding MCIL1 and with the specific aim of funding Crossrail & Crossrail2, the latter, being intended to transform 'North-South' journey times and connectivity between London and the South East – Epsom, Shepperton, Hampton Court and Chessington.

The new MCIL rates are set out in the agreed Charging Schedule and was subject to two minor adjustments by the Public Examiner, Keith Holland.

- The first, was to introduce clarifications to define hotel, office and retail uses within a footnote to Table 2 and,
- the second, the modification of the 'Central London Charging Area' to exclude the Elephant and Castle Opportunity Area from the new office, retail and hotel CIL charges.

The residential CIL rates are rising sharply across the board, although the effect of indexation means that Band 3 areas see a slight fall in the adjusted MCIL rate.

The most dramatic changes are those for the London Boroughs of Enfield and Waltham Forest; where base CIL rates will jump from £20/m² to £60/m² - a 200% increase! These two LPAs suffer the 'double whammy' effect of both a band upgrade and the modified CIL rates. Greenwich by contrast, travels in the other direction, moving from band 2 to band 3 and will see the base MCIL headline rate fall from £35 (MCIL1) to £25 (MCIL2).

Furthermore MCIL2 expands the scope of CIL beyond residential to also apply from April to commercial properties:

- office developments will pay £185/m² in Central London and the Isle of Dogs,
- hotel developments in these zones will be subject to a charge of £140/m² and
- retail developments in these discrete areas will be subject to a CIL liability of £165/m²

Alun Oliver, Managing Director at E3 Consulting, said *"We have 6-10 CI~L enquries every week, but sadly still see too many enquiries from developers and owners seemingly oblivious to the fact that their projects are liable to CIL and MCIL. These increases to MCIL will undoubtedly further pressurise project viability and delivery of housing targets across London whilst also significantly increasing the cost of office, hotel and retail schemes within the Central London and Docklands zones. We anticipate many Central London developers might consider it some kind of 'april fool' when they realise their schemes achieving planning approval after 1st April 2019 will be subject to these significant MCIL charges!"*

The wider future of CIL is still uncertain with the most recent consultation only closing on 31st January 2019. However the 'noise' from Government has been about reform of CIL, rather than wholesale abolition!

There will be very large MCIL liabilities arising on projects within these Central and Docklands charging zones. Therefore it will be vital that developers and owners follow the correct procedures and factor these CIL costs into their financial/project forecasts. Certain residential projects may be eligible for exemptions under either the Social Housing or Self-build exemptions available within the CIL Regulations. But the procedures for achieving these are complex and very rigid and too easy for ill-advised developers or home owners to 'trip up' and loose the exemption on technical points, resulting in significant CIL costs being applied, that otherwise should have been exempted!

Just to illustrate the scale of charges commercial developers will now have to bear – if The Shard were to have been built under these new MCIL2 rates the MCIL liability would be some £20.92m (excluding the costs of Borough CIL another £19m)!

E^3 Consulting has been advising on CIL compliance and reduction strategies for over 4 years and has helped a wide range of property developers and home owners across the England and Wales reduce their CIL costs. These reductions have been achieved by challenging and ultimately revising the LPAs assessment of CIL under the Regulations, including: 'in-use' buildings and optimising the allowable 'offset' against the floor area of the new dwellings as well as self-build exemptions for annexes, extensions and dwellings, Social Housing exemptions, abatement and challenging indexation uplift to the headline CIL rates. The GLA's own 'prudent' estimate of MCIL2 receipts over the next ten years total £1.98bn, so ultimately the real MCIL2 costs could be far higher!

Anyone currently seeking planning approval for projects within central London or docklands will now most likely be caught be these new MCIL rules, adding significant costs to these projects. If you feel MCIL2 will impact you or your projects, do get in touch. E^3 Consulting on 0345 230 6450 or enquiries@e3consulting.co.uk.

ALUN OLIVER MCIM MBA FRICS is Managing Director of E^3 Consulting and has specialised in property taxation advice for over 25 years, having first becoming a Chartered Quantity Surveyor.

E^3 Consulting has just been shortlisted as a Finalist in the 2019 Taxation Awards for Best Independent Tax Consultancy and was winner of the 'Best Tax Consultancy Team' Award in the 2011 Taxation Awards. Additionally the firm was also finalists in both the 2015 and 2014 Taxation Awards.

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