

CIL Consultation  
Development Strategy  
Rugby Borough Council  
Town Hall  
Evreux Way  
Rugby  
CV21 2RR

Date: 1 September 2023

Our ref: PRO16

Dear Sir/Madam,

### **Rugby Borough Council Draft Community Infrastructure Levy Charging Schedule – July 2023**

On behalf of our client, Prologis, we write with regard to the current consultation on the proposed Rugby Borough Council Draft Community Infrastructure Levy Charging Schedule and its associated evidence base. We welcome the opportunity to be engaged with this process and in this letter outlines Prologis' key observations in relation to the proposed new CIL charge for industrial (Class B2), storage and distribution (Class B8) and light industrial (Class E(g)(iii)).

We note that Rugby Borough Council are proposing a CIL charge of £5 sq.m for employment uses. Whilst Prologis is not against the principle of CIL, in this case there is concern that it has not been properly assessed or justified. This letter expands on these concerns.

#### **About Prologis**

Prologis is the leading global provider of distribution facilities and services and has its UK headquarters in Solihull. Prologis invests for the long term in industrial and logistics parks to serve its global customer base and also the local communities where it operates.

In recent years Prologis has delivered approximately £1bn of industrial and logistics sites across the West Midlands, including within Rugby at Prologis Park Ryton and Prologis Rugby Central Park. Across the wider West Midlands, Prologis has also delivered major schemes at Coventry, Hams Hall, Birmingham Stafford, Stoke-on-Trent, and Fradley.

Consequently, Prologis is a major developer and investor within the employment sectors identified for the proposed CIL charging levy and in the last decade especially, has developed significant investment and job opportunities across Rugby and the sub-region. Prologis has further longer-term interests in Rugby Borough and is therefore wishing to engage in the CIL consultation process.

#### **Draft CIL Evidence Base**

The draft Charging Schedule is accompanied by the following evidence base:

- CIL Viability Assessment Review, prepared by BNP Paribas (July 2023)
- Infrastructure Funding Position Statement, prepared by RBC (July 2023)
- Interim CIL Spending Strategy, prepared by RBC (July 2023)

The CIL Viability Assessment determines whether a particular type of development can viably sustain a CIL charge and if so, the degree to which it could.

In the case of employment uses (B2, B8 and E(g)(iii)), the evidence base sets out at the last paragraph of page 4 (page 17 of the PDF) that the employment uses can sustain up to £7 sq.m of CIL charge. However, at paragraph 6.21 on page 43 (page 56 of the PDF), this stance is contradicted where it suggests that it could be up to £11 sq.m. When compared to the previous CIL consultation in May-June 2023, the same viability assessment concluded at the last paragraph of page 4 and at paragraph 6.21 that £7 sq.m could be sustained, but:

*'Given the modest potential rate of CIL, we suggest that industrial developments are nil rated'.*

In addition, we note that the proposed CIL charge is the same figure irrespective whether it is a strategic scale of development, or whether it is greenfield/brownfield. There has been no assessment made differentiating these.

### **Robustness of the Evidence Base**

We are concerned that the observations made above in terms of contradicting figures for viability of the sector, together with lack of distinction between the different types and scale of employment development, means that the evidence base is not robust enough.

On the former, given that there has been less than three months between the previous consultation and the new consultation, we struggle to see how this new figure has been arrived at. There is no explanation as to why this charge has been introduced in such a short space of time, and why there are contradicting figures in the Viability Review on what these uses can viably sustain. The robustness of the evidence bringing about this proposed CIL charge is therefore highly questionable.

On the latter point, we are concerned that no distinction has been made between different sites and scales of development. In terms of sites, brownfield sites will carry much greater levels of abnormal costs than greenfield, thus impacting the ability to pay a CIL charge, or the level of it. As such, it is surprising that no distinction (or even assessment) has been made in this regard. In terms of scale and type, strategic scale employment sites will inherently provide their own infrastructure requirements as part of a section 106 agreements. Consequently, implementing CIL for strategic scale employment would potentially add 'double counting' as infrastructure costs would be caught by both CIL and s106. The potential need to vary the CIL charging schedule for strategic scale employment development has not been assessed or differentiated. Again, this makes the evidence base's validity questionable.

A final point is that not all the uses in the category carry the same value, with quite large differentials occurring across the market between light industrial and warehousing for example. The flat rate across these various uses therefore also appears to require more careful consideration.

## Conclusions

Prologis, as a global provider of distribution facilities and services and a major investor in Rugby and the sub-region, expresses concern over the validity of the Viability Assessment Review that has been undertaken, which concludes that £5 sq.m of CIL charge for employment uses (Class B2, B8 and E(g)(iii)) is viable. Rugby Borough Council has then followed the recommendation, including this in their revised draft CIL Charging Schedule. The robustness of the underpinning evidence base is highly questionable for the following reasons:

- The CIL Viability Review is contradictory – it suggests two different figures that could be viable (£7 sq.m and £11 sq.m). Therefore, it is unclear which is the basis for the Viability Assessment.
- Contradictions to recent CIL consultation – As recent as June 2023 Rugby Borough Council were proposing a £nil charge for CIL on employment uses. It is unclear what has changed in such a short space of time.
- Type of site/use – there is no differentiation between greenfield/brownfield sites, or employment categories, and also whether sites are strategic (providing their own infrastructure) or not. No assessment has been made between these two critical differences on the viability of those employment uses.

We would therefore urge the Viability Assessment to be revised to ensure that employment uses are assessed thoroughly in relation to the three aspects highlighted above, and then the advice adjusted accordingly. We would be happy to engage with the Council and their appointed consultants on the inputs to the viability appraisal going forwards.

Should you have any questions or wish to further discuss these comments please do not hesitate to contact me on my details below or my colleague [REDACTED] [REDACTED]

Yours faithfully,

[REDACTED]

[REDACTED]

**Associate**

T: [REDACTED]

E: [REDACTED]

Cc. [REDACTED] – Planning Director, Prologis

[REDACTED] – VP, Head of Land & Development, UK