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Dear Sirs

**BATH & NORTH EAST SOMERSET (BNES) COMMUNITY
INFRASTRUCTURE LEVY
DRAFT CHARGING SCHEDULE (DCS)
REPRESENTATIONS ON BEHALF OF UNITE GROUP PLC**

I write in respect of the above on behalf of my client UNITE Group PLC (hereafter 'UNITE'). In arriving at the proposed levy of £200/sq.m for 'off campus' student accommodation the Council have failed to accurately account for the following three principal characteristics in assessing student accommodation scheme viability in The district: -

1. Comparison with Preliminary Draft Charging Schedule (PDCS) figures
2. Prejudicing overall development of the area
3. Differential Rates /Comparison with other Sectors

The DCS Levy in respect of student accommodation therefore remains unjustified and does not positively reflect delivery of key Core Strategy objectives. The proposed Draft Charging Schedule (DCS) levy for 'off campus' student accommodation is therefore objected to by UNITE. This letter initially sets out the policy background before detailing the principal areas of objection. A conclusion is then provided.

Mindful of relevant planning policy and Statutory Guidance (referred to in detail in CgMs' earlier representations) the principal issues are highlighted in turn below and are supported by evidence from Knight Frank Property Consultants.

Government Guidance and Strategic Planning Policy

National Planning Policy Framework (March 2012)

NPPF paragraph 175 requires the LPA to ensure CIL should “support and incentivise new development” and this reflects the Housing Growth Agenda and Ministerial Statement of 6 September 2012. Various other NPPF Policies are referred within the statutory guidance.

National Planning Policy Guidance re Community Infrastructure Levy (as amended (June 2014))

Paragraph 009 states the Levy is expected to have a positive economic effect on development across a local plan area (my emphasis). When deciding the levy rates, an appropriate balance must be struck between additional investment to support development and the potential effect on the viability of developments. LPAs must have regard to NPPF (Paragraph 173-177) demonstrating the ability to implement the development objectives of the Local Plan should not be threatened.

Paragraph 018 notes the background viability evidence should provide information regarding the level of development contributions previously raised through comparable S106 agreements (my emphasis).

Paragraph 019 states “Charging authorities that decide to set differential rates may need to undertake more fine-grained sampling, on a higher proportion of total sites, to help them to estimate the boundaries for their differential rates. Fine-grained sampling is also likely to be necessary where they wish to differentiate between categories or scales of intended use.” Paragraph 019 further states site sampling should reflect a selection of the different types of sites promoting the proposed land use.

Paragraph 021 states:

“Differential rates should not be used as a means to deliver policy objectives.

Differential rates may be appropriate in relation to:

- *geographical zones within the charging authority’s boundary*
- *types of development; and/or*
- *scales of development.*

A charging authority that plans to set differential rates should seek to avoid undue complexity. Charging schedules with differential rates should not have a disproportionate impact on particular sectors or specialist forms of development.”

National Planning Policy Guidance re Housing and Economic Land Availability Assessment

Paragraph 038 confirms the role student accommodation provision has in delivering housing supply. It states:

“All student accommodation, whether it consists of communal halls of residence or self-contained dwellings, and whether or not it is on campus, can be included towards the housing requirement, based on the amount of accommodation it releases in the housing market.”

The policy context set out immediately above confirms the detailed approach required by LPAs to account for development viability when preparing draft Charging Schedules. Student accommodation is confirmed within national guidance as contributing to housing land supply.

Representations to Draft Charging Schedule (DCS)

The DCS proposes a disproportionately high 'off-campus' student accommodation CIL rate when compared with alternative land uses and does not fully account for the CIL impact upon scheme viability. The evidence base prepared on behalf of the Council confirms that the rental level cited for student accommodation has a significant impact upon scheme viability.

Each issue is referred to in turn below.

1. Comparison with PDCS

The updated Appraisals within the CIL Viability Evidence (May 2014) makes significant alterations to the assumptions used to determine student accommodation scheme viability. The table below highlights the changes assumptions: -

Table 1

| | June 2012 (PDCS) | August 2014 (DCS) |
|---------------------------|-------------------------|--------------------------|
| Rent | £140pw | £183pw |
| Build costs | £200sq.ft | £138sq.ft |
| Yield | 7.00% | 6.25% |
| Profit - 20% | Revenue | cost |
| CIL Rate (On/ Off Campus) | (£60/100) | (£0/200) |

The viability evidence is prejudiced by no detailed explanation for the following assumed variables, all of which has a significant impact on the residual valuation method used to calculate student scheme viability within the CIL Viability Evidence:

- £43/pw increase in rental levels
- £62/sq.ft reduction in build costs
- 0.75% reduction in headline Yield

No justification is provided within the DCS to support the variations highlighted above. Only two theoretical sites for student accommodation are appraised which undermines the weight given to the evidence. This is particularly relevant where the LPA are proposing a differential rate within a proposed use and therefore does not reflect CIL statutory guidance Paragraph 019.

No evidence is provided in respect of the rental values achieved. UNITE currently operate two properties in Bath, with the following rental profiles:

- Waterside Court is on a long term nominations with Bath Spa University and the room rent is set at £108 per week (on a 40 week let).
- Charlton Court is also let on a one year rolling nominations with Bath Spa the room rent here is £138 per week (on a 51 week let),

Within Charlton Court, only c20% of the total rooms are available as direct-let accommodation, at c£180/p.w. This is for en-suite, self-contained studio accommodation. The assumed rental value within the LPA viability assessment is significantly in excess of those values achieved for developer-led 'off-campus' accommodation within Bath.

Further evidence regarding prevailing rental values for off campus student accommodation within the development pipeline confirms:

- McLaren scheme, Lower Bristol Road: £130/pw for 51 week term
- Green Park scheme: £150/pw for 51 week term

The viability evidence underpinning the draft charging schedule cannot therefore be supported as it relies upon rental levels at £183/pw for off-campus student accommodation. This exaggerates likely off campus accommodation development value and CIL set at the draft rate of £200/sq.m will prejudice delivery of this form of accommodation. This directly conflicts with the Statutory Guidance, particularly Paragraph 009 in particular. The draft Charging Schedule is therefore unsound and cannot be supported.

Mindful of the available evidence regarding **off-campus** student accommodation rental levels, Appendix 1 to this representation letter provides a revised version of the appraisal using the following variables:

Table 2

| | August 2014 (DCS) | Amended Appraisal (September 2014) |
|---------------------------------------------|--------------------------|-------------------------------------------|
| Rent | £183pw | £135 (cluster) £180 (Studio)/ pw |
| Build costs | £138sq.ft | £138sq.ft |
| Yield | 6.25% | 6.25% |
| Profit - 20% | cost | cost |
| Maximum CIL viable (£/sq.m) | £447 | -£14 |
| CIL Rate (On/ Off Campus) 45% buffer | (£0/200) | |

With regard to Build Costs, the reduction in the appraisal value is simply justified by reference to the BCIS costs schedule. This assessment cannot be relied upon to provide an accurate build cost figure, particularly in a City such as Bath where the World Heritage Site designation means new buildings are subject to a higher quality finish specification, thus increasing costs. In this regard we would highlight the Examiner Findings into Southwark's Revised Draft Charging Schedule (enclosed). In relation to build costs this states that there is merit in criticism that the BCIS data is limited in scope and related to modest, low-rise developments, that the rates do not appear to have compared to actual prices, especially given the likely effect of subsequent market inflation.

2. Prejudicing overall development of the area

Housing need and supply figures within the Adopted BNES Core Strategy rely upon the November 2013 Strategic Housing Land Availability Assessment (SHLAA) and confirms the Council do not include student accommodation provision within

housing delivery. This conflicts with NPPG guidance at paragraph 038 which notes the role student accommodation has within meeting identified housing need.

NPPF: Paragraph 47 states "LPAs should identify and update annually a supply of specific deliverable sites sufficient to provide five years worth of housing against their housing requirements with an additional buffer of 20% (if there has been under delivery previously)".

To be considered deliverable, sites should be available now, offer a suitable location for development now, and be achievable with a realistic prospect that housing will be delivered on site within five years and in particular that development of the site is viable. Sites with planning permission should be considered deliverable until Permission expires, unless there is clear evidence that the schemes will not be implemented within five years. Year 1, Year 2 and Year 3 of the 5-year trajectory identified within the SHLAA demonstrate an underperformance against expected delivery (463/ 550/510 dwellings per annum against an annual target of 686), which is subsequently forecast to be captured in the remaining years of the 5-year trajectory.

Delivery of off-campus student accommodation contributes to meeting overall housing need, particularly within a University City such as Bath. The risk of failure to meet 5-year conventional housing supply as a result of over-estimation of potential conventional housing delivery places greater pressure upon the LPA to include all elements of housing supply in calculating delivery in order to meet identified need. In accordance with NPPF Paragraph 50 and NPPG Paragraph 038 it is vital the LPA consider the impact of off-campus student accommodation delivery when identifying housing need, however the DCS CIL rate prejudices delivery of this bespoke accommodation type (see viability evidence above and Appendix 1). This therefore undermines the wider housing supply position across the District and prejudices the implementation of the overall development plan objective to meet identified housing need. Setting the CIL rate at £200/sq.m for off-campus student accommodation therefore conflicts with NPPF 173-177 and NPPG 009.

3. Differential Rates/ Comparison with Other Sectors

Student accommodation forms part of overall housing supply. Two separate charging rates are proposed (£nil on-campus and £200/sq.m off-campus). Two further rates are proposed for conventional residential development (£50/sq.m strategic sites and £100/sq.m other areas), resulting in four separate charging levels for residential accommodation. NPPG Paragraphs 019 and 021 note the statutory requirement to ensure undue complexity is avoided when drafting a charging schedule.

Mindful of the viability evidence above, it is considered inappropriate to set the Student accommodation rate at £200/sq.m against a prevailing rate of £100/sq.m for conventional residential. Hotel Accommodation also attracts a proposed levy of £100/sq.m, further highlighting the disproportionate impact the effect of the proposed Levy will have upon student accommodation delivery, against the two principal sectors where developers are competing for development sites. A significant reduction in off-campus student accommodation levy would create a 'level playing field' between the various sectors. In this regard, it is considered the DCS directly conflicts with NPPG Paragraph 021 which states "Differential rates should not be used as a means to deliver policy objectives." The development plan already stipulates off campus student accommodation must not prejudice delivery of other Central Area uses.

Further, the CIL Viability Evidence (May2014) only tests one example of off-campus student accommodation in order to conclude the £200/sq.m proposed rate is viable. This directly conflicts with NPPG Paragraph 019 which requires viability assessments to be underpinned by further sampling and fine-grained evidence in order to justify the differential rate.

Conclusion and amendment sought

'Off-campus' or purpose built student accommodation has a positive impact on housing supply thorough meeting an identified specialised housing need. The impact of CIL upon student accommodation scheme viability requires consideration within the context national planning policy and guidance. The proposed CIL rate for student accommodation in BNES is not justified by an appropriate evidence base and does not reflect relevant national policy. UNITE therefore object to the proposed £200/sq.m levy and are mindful of the following specific issues: -

1. Accurate assessment of achievable rental levels
2. Impact upon overall housing delivery and relevant development plan objectives
3. Comparison with competing sectors

Therefore a reduction in the student accommodation levy within the adopted Charging Schedule is required in order to reflect the NPPF and the NPPG. Table 2 above demonstrates the proposed CIL rate at £200/sq.m for off-campus student accommodation is entirely unviable. A Nil rate or significantly reduced rate is therefore necessary to ensure this aspect of the development plan delivery is not prejudiced and that delivery of this specialist accommodation need can be met, in accordance with strategic and Local development plan policy.

I trust this is in order and will be taken into account prior to submission of the DCS to the Inspectorate. Please do not hesitate to contact either Matthew Roe or myself should you have any queries. Please note, CgMs respectfully request further participation at the DCS forthcoming Examination in Public.

Yours faithfully



Alun Evans
Director

c.c UNITE Group PLC

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