

Hong Chen

From: Nick Jenkins <nick@smithjenkins.co.uk>
Sent: 12 September 2014 17:00
To: CIL
Subject: Re: LBTH CIL: Supplementary Evidence Requested by Examiner

Joseph,

Please see the below response, for and on behalf of Travelodge, responding to the Further Evidence and Information provided by LB Tower Hamlets (as requested by the Examiner).

Travelodge remain concern with the proposed hotel CIL rate of £210 borough wide with no adjustment for location. This is a particular concern as those locations within the Borough located away from the City Fringe, Canary Wharf and Bethnal Green that is very well located on the Central Line for the City are less able to support development values and CIL rates, with all hotel appraisals undertaken within the higher value areas.

We do not wish to further scrutinise all figures within the updated hotel appraisal but it does appear to be somewhat of a moving feast in terms of the appraisals selected by Tower Hamlets to support their proposed hotel CIL rate and some of the inputs to them. The various appraisals undertaken do show wide variations in the maximum CIL rates that are apparently able to be supported by them. For example the Ibis appraisal undertaken (ED2.2) shows that such hotel developments could accommodate a maximum CIL of between £539 and £112 dependant on the current use of the site. The updated Ibis appraisal (ED5.21) provides figures of between £672 and £213 per sq m, Given that the proposed hotel CIL rate is £210 this doesn't sit comfortably alongside these appraisals, relying upon CUV1 or CUV2 being adopted.

Similarly the Bethnal Green appraisal undertaken identifies that the scheme could support a CIL charge of between £441 and £193 per sq m depending on the current use. Again relying upon CUV1 or CUV2 being the appropriate input in order to be able to "afford" the £210 CIL rate. We also note that construction costs for the scheme will be a little light as we are advised that the scheme did have cost overruns. Whilst we didn't quantify these in the information we provided to the Council, as we don't have the figures, it does require further caution to be applied to any appraisal outputs.

In respect of the Travelodge Corrinader Avenue appraisal (either original or updated) we do not believe that a rent of £9,760 per bedroom or £26.86 p/sqft is the correct input due to the specific nature in which the current rent passing has been arrived at (as explained by Travelodge at the Examination). A more appropriate rent to adopt would be £7,500 per bedroom or £21 p/sqft. As again explained by Travelodge at the Examination and in their representations dated 22 April 2014. The outputs of the appraisal will be fundamentally different as a result.

In respect of the updated Premier Inn Goodmans Fields appraisal, we consider that construction costs remain too low for a complex scheme of this nature and for a Premier Inn, with a cost of £175p/sqft more appropriate. Again this will fundamentally affect the appraisal outputs.

In respect of the note provided on yields, again we do not wish to run through all of these, but it is firmly not Travelodge's experience that *"Transactions of hotels in outer London indicate that yields are at or just above 5%"*. City Fringe hotels may be able to command yields of 5.5% but strictly subject to site specific circumstances and covenants.

The hotel CIL rate should be reduced as a result of the above, to try and ensure that future hotel development is not prejudiced and that "some" CIL is collected also.

I trust the above points will be duly considered by the Examiner.

Regards,

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Director



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On 7 August 2014 16:40, CIL <CIL@towerhamlets.gov.uk> wrote:

Sent on behalf of Anne-Marie Berni

Dear Sir/Madam,

Please refer to the attached letter.

Please note that we have made this announcement a day early to give parties as long as possible to consider the additional evidence, which has already been published on the Council's website - www.towerhamlets.gov.uk/cil.

Regards

Joseph Ward MRICS

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