London Borough of Tower Hamlets Community Infrastructure Levy Schedule Examination

Written Statement on behalf of:

Queen Mary University of London

April 2014

Turley

Contents

Contact

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Client

Queen Mary University of London

1. Introduction

1.1 On behalf of our client, Queen Mary University of London (QMUL), Turley has prepared the following Written Statement for the London Borough of Tower Hamlets (LBTH) Community Infrastructure Levy (CIL) Schedule Examination.

1.2 As one of 24 leading UK universities represented by the Russell Group, QMUL is committed to maintaining the very best research, an outstanding teaching and learning experience, excellent graduate employability and unrivalled links with business and the public sector. With around 14,500 students, 4,000 staff and an annual turnover of £300m, QMUL is one of the biggest University of London colleges and one of the UK's leading research-focused higher education institutions.

1.3 Turley has previously submitted written representations on behalf of QMUL to the LBTH CIL Draft Charging Schedule (DCS) consultation held in June 2013.

1.4 It is the view of QMUL that the issues set out in prior representation have not been adequately or robustly resolved by LBTH. Hence, further evidence to support the position of QMUL has been prepared, which QMUL believes warrants consideration by the Examiner.

1.5 This Written Statement therefore responds to those questions of relevance to QMUL set out within the *Main Issues and Questions for the Examination* document published by the Examiner – Malcolm Rivett BA (Hons), MSc, MRTPI.

1.6 This Written Statement has been aligned with the LBTH CIL Revised Draft Charging Schedule (RDCS) Statement of Modifications (February 2014)[1], and takes into account the most recently prepared viability evidence documents, including the Appendices to the aforementioned document and the CIL: Viability Study (August 2013)[2] prepared by BNP Paribas Real Estate (PBPPRE).

1.7 It is noted that the transitional provisions made within the CIL 2014 (Amendment) Regulations exclude the LBTH CIL RDCS from the changes to rate setting (Regulation 13 and 14) and Examination processes made by the CIL 2014 (Amendment) Regulations. As a result, these changes will not apply within the Examination.

1.8 However, other legislative aspects of the CIL 2014 (Amendment) Regulations, not included under the transitional arrangements, will apply to the LBHT CIL schedule.

[1] LBTH (February 2014) CIL RDCS Statement of Modifications
[2] BNPPRE (August 2013) CIL: Viability Study – Prepared for London Borough of Tower Hamlets

2. Questions for the Examination

2.1 This section of the Written Statement sets out the response of QMUL to the questions set out within the *Main Issues and Questions for the Examination* document. Responses are referenced by the relevant Hearing Session and Question number.

Hearing Session 1 – General Matters

2.2 QMUL does not wish to provide further response to the questions set out for Hearing Session 1 prior to the Examination.

Hearing Session 2 – Strategic Sites, Residential Development Rates and Office Development Rates

2.3 QMUL does not wish to provide further response to the questions set out for Hearing Session 2 prior to the Examination.

Hearing Session 3 – Retail, Hotel and Student Housing Development Rates

Question 14: Is the Student Housing rate informed by and consistent with the available evidence?

Is a single rate for student housing across the borough appropriate and supported by the evidence?

2.4 The proposed modifications[3] to Table 1 of the RDCS (October 2013) maintain the proposed single rate for student housing across the borough as £425 per square metre (sqm). It is the view of QMUL that a single rate for student housing across the borough is neither appropriate, nor supported by the evidence.

2.5 The proposed rate for student housing has remained unaltered since publication of the LBTH Preliminary Draft Charging Schedule (PDCS) (November 2012)[4] and was predicated upon a single development appraisal set out in Appendix 4 of the original BNPPRE CIL: Viability Study (October 2012)[5]. The commercial assumptions for the student housing development appraisal are presented in Table 4.48.1 on page 27 of the CIL: Viability Study (October 2012). These have been updated in the same table within the CIL: Viability Study (August 2013)[6].

2.6 However, no evidence is presented within either document to substantiate the assumptions made – other than a brief and inadequate commentary within Table 4.48.1 itself. In addition, no justification or evidence is presented to clarify the reasons behind the 'tweaking' of the appraisal assumptions in the CIL: Viability Study (August 2013) when compared to prior appraisal. This included:

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[3] LBTH (February 2014) CIL RDCS Statement of Modifications
[4] LBTH (November 2012) CIL PDCS
[5] BNPPRE (October 2012) CIL: Viability Study – Prepared for London Borough of Tower Hamlets
[6] BNPPRE (August 2013) CIL: Viability Study – Prepared for London Borough of Tower Hamlets

- Reducing the gross to net floorspace ratio from 82% to 72.5%;

- Dramatically cutting the base construction cost from £180 per square foot (sqft) to £137.40 per sqft.

2.7 The Planning Practice Guidance (PPG) (2014)[7] contains specific guidance on the preparation of viability evidence to inform policies on planning obligations – including CIL. There are no transitional arrangements in place, and QMUL therefore consider the PPG to form a matter of weight to be applied at Examination. This has been demonstrated in recent Appeal Decisions[8]. Critically, consistency is required with the provisions in the PPG.

2.8 PPG states that, in considering the viability of planning obligations in plan-making, '*values should be based on comparable, market information*' and wherever possible '*specific evidence from existing developments should be used*'. Moreover, the CIL Guidance (2014) suggests that a charging authority should sample an appropriate range of sites across its area, including on those sites where the impact of CIL is likely to be most significant[9].

2.9 Aside from a single hypothetical development appraisal for student housing, it is not clear how the evidence base is underpinned by comparable market information or specific evidence from existing developments. In contrast, for residential use, this evidence has been presented in Appendix 2 of the CIL: Viability Report (October 2012).

2.10 QMUL therefore questions what sources of data underpin the student housing development appraisals, and whether these are representative of comparable schemes in LBTH. Moreover, given this forms a key component of the evidence base, this information should have been shared with representors for consideration and comment in a transparent manner.

2.11 The scale of the proposed CIL rate when viewed in a wider context also appears unduly punitive on the student housing development use. This rate equates to an increase of 112.5% (i.e. more than twice) over and above the next highest proposed rate, which is for residential development in Zone 1 (at £200 per sqm).

2.12 QMUL would seek to highlight to the Examiner that considerable representor focus has been placed on the appraisal methodology and evidence base underpinning rates for residential, commercial, hotel and retail uses as the CIL regime has been progressed within LBTH. With the exclusion of residential uses, the result has been a considerable decrease in the CIL rates proposed across a range of uses.

2.13 Hotel development, for example, which was originally proposed as a single CIL rate with student housing at £425 per sqm in the PDCS (November 2012)[10] has subsequently had its proposed rate reduced by almost 60%. This is demonstrated in the following table.

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[7] CLG (2014) Planning Practice Guidance (PPG)
[8] PP/W1145/Q/13/2204429
[9] CLG (2014) CIL Guidance
[10] LBTH (October 2012) CIL PDCS

Table 1.1 Changes in CIL Rates Proposed – November 2012 – February 2014 by 'Use'

Use		Residential			Offices			Retail						
Stage of Preparation	Date Published	Zone 1	Zone 2	Zone 3	City Fringe	North Docklands	Rest of Borough	Zone 1	Zone 2	Zone 3	Convenience Supermarkets, Superstores & Retail Warehousing	Hotel	Student Housing	All other Uses
PDCS	Nov-12	£200	£65	£35	£125	£125	£0	£100	£100	£0	£200	£425	£425	£0
DCS	Mar-13	£200	£65	£35	£215	£100	£0	£70	£70	£0	£195	£210	£425	£0
RDCS	Oct-13	£200	£65	£35	£120	£60	£0	£70	£70	£0	£135	£210	£425	£0
RDCS - Modifications	Feb-14	£200	£65	£35	£90	£50	£0	£70	£70	£0	£120	£180	£425	£0
% Change in CIL Rates Proposed		0%	0%	0%	-28%	-60%	0%	-30%	-30%	0%	-40%	-58%	0%	0%

Source: LBTH / Turley Analysis

2.14 This suggests to QMUL that the original appraisal assumptions resulted in overblown estimations of development viability across a range of uses, which did not accurately reflect local commercial reality.

2.15 However, fewer parties have commented on the proposed CIL rate for student housing compared to other uses – since refined. Where representations have been made with regard to student housing, in QMUL's view these have been inadequately dealt with by LBTH prior to submission of the CIL RDCS to the Planning Inspectorate for independent examination on February 11, 2014. This is considered in further detail in the response to the following question.

Is a single rate for both university-funded and market-led student housing appropriate and justified by the evidence?

2.16 It is the express view of QMUL that a single rate for both university-funded and market-let student housing is neither appropriate nor justified by the evidence.

2.17 The most recent CIL: Viability Study (August 2013) cites the following at paragraph 6.39 on page 61:

"Two markets for Student housing in the Borough have been identified. The first is schemes let at reduced rent levels by universities, which require cross subsidy from university resources, and are identified as being unviable... The second market is comprised by those let at private sector rent levels, which generate sufficient surplus residual values to absorb a maximum borough CIL of up to £654 per square metre, net of an affordable housing contribution."

2.18 Subsequently, in conclusion, the CIL: Viability Study (August 2013) states:

"Student housing in the Borough generates sufficient surplus residual values to absorb a maximum CIL of up to £651 per square metre excluding affordable housing. After allowing for a buffer, which in our experience we consider to be reasonable to deal with site-specific factors, we suggest a rate of no higher than £425 per square metre."[11]

2.19 This demonstrates that the evidence gathered by BNPPRE has clearly established that two separate markets, with two distinct sets of viability parameters, exist for student housing development in LBTH. Moreover, it is evident that development appraisals and informing assumptions are explicitly predicated upon private sector student housing development.

2.20 However, this evidence has not been applied consistently in recommending CIL charges for student housing development. As a result, QMUL believes that three issues arise for the Examiner's consideration.

- Firstly, the evidence (to demonstrate that student housing schemes let at reduced rents by universities are unviable) is not presented at all within the evidence base. Its absence makes it difficult for representors to robustly assess exactly what parameters have been considered by BNPPRE in arriving at this conclusion.

[11] BNPPRE (August 2013) CIL: Viability Study – Prepared for London Borough of Tower Hamlets, p.73

- Secondly, BNPPRE's recognition of different viability parameters for the two defined 'markets' for student housing within the CIL: Viability Study (August 2013) generates inconsistency between the rate of £425 per sqm proposed for all student housing and the evidence base. It suggests that BNPPRE has prepared development appraisals on both 'uses' and has drawn conclusions from these. The CIL Guidance (2013) requires that the viability evidence should be translated in a pragmatic and consistent manner into the proposed CIL rates[12]. Although BNPPRE's own evidence results in a clear viability distinction between 'use', this has not resulted in a recommendation for a differentiation in rate or by use to reflect this appropriately. Hence, the proposed rate is not consistent with the viability evidence.

- Thirdly, CIL Regulation 14 requires that LBTH demonstrates that it has aimed to strike what appears to be an appropriate balance between the desirability of funding CIL and the potential effect on the economic viability of development in setting CIL rates. This must be informed by 'appropriate available evidence'. Without the 'appropriate evidence' of the viability implications of CIL proposals available in full to LBTH, and without the evidence cited (but not disclosed) by BNPPRE regarding this evidence being translated in a consistent manner to a recommended CIL rate for student housing, QMUL does not believe that it is possible for LBTH to demonstrate to the Examiner it has aimed to strike an appropriate balance in this regard.

2.21 In the absence of the appropriate available evidence, QMUL has sought to 'fill the gap' in the viability evidence drawn upon by the CIL: Viability Study (August 2013)[13].

2.22 QMUL, as a charitable organisation, operates a very different financial model from private sector developers. The primary objective of development is to provide affordable, high quality, accommodation for students.

2.23 QMUL does not disagree with the private sector rents set out within the CIL: Viability Study (August 2013) of £200 per unit per week during term time. Indeed, third party developers will normally require this level across a 51-week rental term, leading to a circa £10,000 annual rent per unit.

2.24 However, in order to provide affordable accommodation to its students, and ensuring places at QMUL are accessible, in line with the Institution's widening participation commitment, the typical rental level of QMUL is in the order of £130 - £150.00 per unit per week across a 38-week term let (and 6 week vacation let)[14], leading to an annual rent of some £5,000 to £6,600, i.e. circa half the private sector level and half that assumed within the CIL: Viability Study (August 2013).

2.25 At present only 3.5 % - 5% of QMUL students choose to live in purpose built private sector halls, indicating that very low numbers of QMUL students can afford market rents of circa £10,000 per annum. This reinforces the importance of providing affordable accommodation to meet student's needs.

[12] CLG (2013) CIL Guidance
[13] BNPPRE (August 2013) CIL: Viability Study – Prepared for London Borough of Tower Hamlets
[14] Refer to QMUL Student Residences Guide 2013/14 for evidence of published rents: http://www.residences.qmul.ac.uk/documents/21157.pdf

2.26 The knock-on implications of the rental income mean that the capital sum that QMUL can service, from rental income, for either development on existing QMUL landholdings, or for sites which come to the market which are suitable for student accommodation development is very restricted, and will be unaffordable if QMUL is required to fund the CIL liability (as currently proposed). This would in turn reduce the likelihood of further accommodation being developed by QMUL and offered to students at affordable rates.

2.27 A development appraisal has been prepared to demonstrate the viability implications of the reduced rental income stream (at £150.00 per unit per week over a 38 week term let and 6 week vacation let) derived from QMUL rents on the ability to generate a CIL receipt. This is titled 'Scenario 1' and is included within Appendix 1.

2.28 To more accurately reflect the development of student accommodation for QMUL a number of the assumptions have had to be altered from those utilised in the student housing development appraisal in Appendix 5 of the CIL: Viability Assessment (August 2013).

2.29 Scenario 1 has been informed by QMUL's previous development experience and reflects the retention of the scheme for management by QMUL. It is important to highlight the following:

- £150 per week per unit is the upper threshold of current rents (and is tested as a 'maximum' for the Examiner's consideration). Average rents are circa £145 per week per unit.

- QMUL is not treating this as a commercial venture – it is waiving the requirement to take a return (profit) in any way from the scheme.

2.30 Utilising this more detailed viability evidence, the Scenario 1 development appraisal demonstrates that there is no residual margin available for a 'typical' scheme of this type to contribute towards CIL. In fact, it demonstrates that capital investment is likely to be required by QMUL to 'gap fund' the development.

2.31 Scenario 2, which is included within Appendix 2, examines the rental yield required to generate a viable CIL overage under the QMUL development model. This demonstrates that the rental stream would be required to be increased to in excess of £154.81 per unit per week over a 38 week term let and 6 week vacation let in order to generate any CIL overage whilst remaining viable for development.

2.32 Scenario 3, which is included in Appendix 3, subsequently examines the rental yield required to achieve a CIL receipt of £425 per sqm under the QMUL development model. This is equivalent to the rate proposed by LBTH and BNPPRE.

2.33 Scenario 3 demonstrates that QMUL would be required to increase rents to almost £174 per unit per week in order to achieve a residual margin of £425 per sqm for CIL. Crucially, this does not even take into account the requirement for a 'buffer' – and rents would be required to be even higher in order to accommodate this.

2.34 The payment of CIL on student housing schemes let at reduced rents by universities is clearly financially unviable, and in any case QMUL would find it morally unacceptable to be faced with offering accommodation at two rates, one for rooms free from CIL levy and a higher charge for schemes where CIL had been payable. This raises a further issue that QMUL would invite the Examiner to consider.

2.35 The LBTH Core Strategy Development Plan Document (DPD) (September 2010)[15] sets the strategic policies and objectives for the development of the borough to 2025. The delivery of student accommodation is specified as forming a key part of the regeneration of both the Mile End and Aldgate areas of the borough.

2.36 Policy SP02 (7) sets out the approach for providing for the specialist student housing needs of the borough through working with the borough's universities to enable the appropriate provision of student accommodation that meets identified need by:

- Focusing student accommodation supporting London Metropolitan University at Aldgate or in locations that have good public transport accessibility (PTAL 5 to 6); and
- Focusing student accommodation supporting Queen Mary University London in close proximity to the university.

2.37 Policy DM6 of the LBTH (April 2013) Managing Development Document (DPD)[16] sets out LBTH's approach to the management of the development of student accommodation across the borough. It states that the provision of purpose-built student accommodation will be supported in locations identified within the Core Strategy and where:

- it does not compromise the supply of land for new homes and the Council's ability to meet its housing targets;
- it contributes to the provision of affordable housing if not providing accommodation specifically for accredited colleges and universities;
- it does not create an over-concentration of student accommodation in the local area or cause harm to residential amenity; and
- it does not place excessive pressure on existing social and physical infrastructure.

2.38 QMUL has previously identified to LBTH that it may wish to develop up to an additional 700 rooms for QMUL students based on forecast demand and need. If the proposed CIL rate for student accommodation places at risk the viability of student housing development delivered by the university, concurrently this may pose a risk to the delivery of the relevant Local Plan – the LBTH Core Strategy (2010).

2.39 Critically, the CIL Guidance (2013, 2014)[17] requires that Charging Authorities set a rate which does not threaten the ability to develop viably the sites and scale of development identified in the relevant Plan.

[15] LBTH (September 2010) Core Strategy Development Plan Document (DPD)
[16] LBTH (April 2013) Managing Development Document (DPD)
[17] CLG (2014) CIL Guidance – section 2.2

Should the schedule make clear that student housing developed for a university by the university are exempt from CIL, or is it appropriate to rely on the general exemption for developers with charitable status?

2.40 It is the view of QMUL that the CIL Charging Schedule should make it clear that student housing developed for a university by the university are exempt from CIL.

2.41 QMUL notes that the CIL: Viability Study (August 2013) states the following in paragraph 6.39 on page 61:

"...schemes let at reduced rent levels by universities, which require cross subsidy from university resources, and are identified as being unviable. It is noted, however, that when developed, these schemes may be exempt from CIL given the universities' charitable status."

2.42 This statement is helpful, but is ambiguous and leaves QMUL open to considerable risk and uncertainty. It places the onus on the university to submit a claim on a project-by-project basis to LBTH under CIL Regulation 47.

2.43 There may, for example, be a situation where a university such as QMUL cannot, for whatever reason, claim CIL exemption through its charitable status. In such cases, that university would simply not be able to proceed with a development. This has been demonstrated based on viability evidence in QMUL's response to the Examiner's previous question.

2.44 For example, QMUL has been exploring various methods of procuring further student accommodation including working with private sector providers to deliver to QMUL completed schemes for QMUL to lease, and then operate, at affordable rates to students. This model has advantages to QMUL in terms of risk transfer, but would become unviable if such schemes attracted the proposed CIL rate.

2.45 However, CIL Regulation 43 is stringent and charitable exemption is nullified if:

- That part of the chargeable development to be used for charitable purposes will not be occupied or under the control of a charitable institution;
- The material interest is owned jointly with a person who is not a charitable institution; or
- Exemption from liability to pay CIL would constitute a State aid.

2.46 QMUL has therefore conducted a review of adopted CIL Charging Schedules to explore whether any precedents, or best practice, have been applied. It appears that this is an issue that has caused considerable debate at previous Examinations with mixed outcomes:

- **Southampton City Council** adopted a CIL Charging Schedule with effect from 1st September 2013. Following Examination the Examiner's Report[18] recommended modification of the DCS to apply a nil rate for C2 Residential Institutions which applies to '*student accommodation which includes individual*

[18] PINS/D1780/429/7

bedrooms with shared communal facilities and where residents do not live as a single-family'[19]. The purpose was to ensure that viable private sector student housing development is liable for CIL at a rate of £70 per sqm, with university development (i.e. halls of residence) excluded.

- **Bristol City Council** adopted a CIL Charging Schedule with a rate of £100 for student accommodation, with effect from 1st January 2013[20]. The Examiner's Report[21] cites viability evidence which shows that new student accommodation provided by commercial operators is in most cases capable of absorbing the CIL rate. However, the Examiner is clear that student accommodation built and operated by universities may be exempt on the basis of charitable status.

2.47 Other London Boroughs have implemented CIL rates for student housing in different ways as is shown in the following table.

Table 1.2 Adopted CIL Rates – Student (and other) Housing

Local Authority	Rate	Development Type	Adoption
LB Brent	£200	Residential (Use Classes C3&C4), Residential Institutions except Hospitals (Use Class C2), Student Accommodation, Hostels and HMOs (Sui Generis)	1 July 2013
LB Croydon	£0 - £140	Nil rate for C2 Residential Institutions – ie on campus development; £140 for off campus (sui generis)	1 April 2013
LB Harrow	£55	Hotels (C1), Residential Institutions except Hospitals (C2), Student Accommodation, Hostels and HMOs (Sui Generis)	1 October 2013

Source: Turley analysis

2.48 Given the lack of a consistent approach, and the ambiguity this causes, it is requested that the Examiner is explicit in his recommendation. If it is the intention of both LBTH and its advisors BNPPRE – as suggested at paragraph 6.37 of the CIL: Viability Study (August 2013) – that universities are exempt from CIL liability on student accommodation schemes, then QMUL requests that such a provision is explicit in the CIL Charging Schedule. It is unsatisfactory, and potentially open to misinterpretation, to only rely on a reference to *'likely'* exemption in a supporting evidence document.

2.49 It is common practice amongst many higher education institutions (HEI) that third parties are commissioned to help deliver new student beds, either as developer and/or operator.

[19] Southampton City Council (2013) Community Infrastructure Levy Charging Schedule DPD
[20] Bristol City Council (2012) Community Infrastructure Levy Charging Schedule
[21] PINS/20116/429/6

2.50 In a recent case that we have dealt with, an HEI has entered into an agreement with a third party accommodation provider to provide a redevelopment of the institution's main hall of residence. The provider will be responsible for the construction of the building and for the on-going day-to-day operation of the halls. The HEI remains the freehold owner of the site and, to the outside world, the building will continue to be part of the HEI. Critically, as part of the agreement with the accommodation provider, the HEI also influences rental levels, which allows the university to ensure affordable rates for its students.

2.51 The CIL Regulations states that charitable relief can only be sought where the property is not under any form of ownership of a non-charitable institution. The concept of 'owner' is not defined in the Regulations and, in the absence of specific exclusions within the adopted Charging Schedule, the LPA has confirmed that this particular scheme will be liable for CIL payment.

2.52 Equally, this form of development arrangement may well be adopted by QMUL and, accordingly, such a scheme would not benefit from charitable relief[22].

2.53 Moreover, on the basis of QMUL's commitment to continue to provide affordable accommodation to its students, QMUL would therefore ask that consideration be given to the exemption of development from CIL which are either to be developed and operated by a university (i.e. QMUL) or delivered by a private sector provider and leased by a university for a term of 25 years or more. Again, QMUL requests that such a provision is explicit in the CIL Charging Schedule.

2.54 QMUL is aware that LBTH has stated its intention to introduce a policy for providing discretionary relief from CIL in exceptional circumstances within Appendix 2 of the RDCS (October 2013) at paragraph 1.2. Under the current legislation this will permit application under CIL Regulations 55-57 for discretionary relief in exceptional circumstances – including on the grounds of development viability.

2.55 QMUL views the introduction of the policy for providing discretionary relief from CIL in exceptional circumstances as essential. As a 'fall back' mechanism, this policy should expressly acknowledge that student housing development by a higher education institution is permitted to apply for exceptional circumstances relief from CIL on viability grounds.

Has appropriate account been taken of affordable housing requirements in the student housing rate?

2.56 As stated in QMUL's response to the Examiner's earlier question, Policy DM6 of the LBTH (April 2013) Managing Development Document (DPD)[23] requires that new student housing developments contribute to the provision of affordable housing, whether through off-site provision or a payment in lieu, if they are not providing accommodation exclusively for accredited colleges or universities. Policy SP02 (3) of the LBTH Core Strategy (2010) sets an overall strategic target for affordable homes of 50% until 2025.

[22] Note: The specific scheme has not been cited due to commercial confidentiality. We would, however, be willing to disclose the specific scheme to the Examiner on a confidential basis if this is deemed necessary.
[23] LBTH (April 2013) Managing Development Document (DPD)

This will be achieved by applying a requirement for 35%-50% affordable homes on sites providing 10 new residential units or more (subject to viability).

2.57 The CIL: Viability Study (August 2013) introduces a second development appraisal within Appendix 4, which represents a scenario testing the implications on viability of delivering an affordable housing contribution of 35%. The result of this is that the maximum CIL available is reduced to £231 per sqm.

2.58 However, this fails to examine the impact of a requirement for provision of up to 50% affordable housing, which is included within the range set out in Policy SP02 (3) of the LBTH Core Strategy (2010). This should also be examined and the evidence presented.

2.59 Moreover QMUL is unclear why the proposed CIL rate for student housing of £425 per sqm <u>excludes</u> allowance for affordable housing, despite the relevant Plan policy specifying an affordable housing target for this development use. The viability evidence demonstrates that only £231 per sqm CIL can be paid by development whilst remaining viable if a 35% affordable housing requirement is set in line with Plan policy.

2.60 Concurrently, if £425 per sqm CIL is charged, there will be a shortfall in the residual land value, which will necessitate a reduction in planning obligations. As CIL is non-negotiable except in exceptional circumstances, this will result in a requirement for a reduction in the affordable housing provision made by the development. Can LBTH demonstrate that this will not place at risk the delivery of affordable housing, and therefore the delivery of the Local Plan?

If you consider that a change to the schedule is necessary what rate / zone boundary would be appropriate?

2.61 It is QMUL's view that considerable risk and uncertainty would remain if the Examiner chose to recommend that QMUL should claim exemption from CIL purely on the basis of its charitable status. This is an issue that has not been fully dealt with in prior Examinations.

2.62 Based on our responses to the Examiner's previous questions (which provide QMUL's justification) QMUL therefore requests that the Examiner recommends that the following modifications are made to the Charging Schedule:

- A clear and explicit differentiation is made between private sector student housing development, and student housing developed and operated by a university or delivered by a private sector provider and leased by a university.

- It may be that private sector student housing development could attract a CIL charge – although the rate proposed is questioned by QMUL.

- Development linked to university operation / lease should be explicitly exempt from a CIL charge OR be set at a nil rate within the Charging Schedule.

2.63 As a 'fall back', and as an inferior solution in the opinion of QMUL, it is requested that student housing development linked to university operation / lease should be clearly cited within LBTH's policy for providing discretionary relief in exceptional circumstances. QMUL would request that the Examiner encourages LBTH to present the policy at

Examination and make a firm commitment to its introduction alongside adoption of the CIL Charging Schedule.

Appendix 1: Scenario 1 - Development Appraisal

Turley

Scenario 1	500 units - QMUL Rent @ £150.00 across 38 week term (98%) + 6 week vacation (50%)			
DEVELOPMENT DETAILS	500 Units			
DEVELOPMENT VALUE				
Rental Income	£150.00 per week (term)	£150.00 per week (vacation)		
Annual rent per unit - term time	38 weeks	98% occupancy		£2,793,000
Annual rent per unit - summer	6 weeks	50% occupancy		£225,000
Operating costs	500 units		£2,100 per unit	-£1,050,000
Net annual rents				£1,743,000
Total revenue, capitalised (including all costs)			6.25%	£27,888,000
Purchasers costs			1.00%	-£278,880
GROSS DEVELOPMENT VALUE				**£27,609,120**
DEVELOPMENT COSTS				
Development costs				
Demolition costs	£5 psf	37136 sq ft		£185,679
Building costs	£137.40 psf			£17,008,196
Area per unit (incl. common areas)	247.57 sq ft	123,786 sq ft		
External works			10.00%	£1,700,820
Contingency			10.00%	£1,889,470
Professional Fees			10.00%	£2,078,416
Residual S106			£5.00 psf	£618,930
Mayoral CIL			£3.25 psf	£402,305
Disposal Costs				
Letting Agent's fee (% of rent)				
Agent's fees (on capital value)			0.00%	-
Legal fees (% of capital value)			0.00%	-
			0.00%	-
Interest on Finance				
Total development duration		24 months		
Loan arrangement fee			1.00%	£238,838
Interest on construction costs		24 months	6.50%	£1,552,448
Profit				
Developer's profit on total revenue			0.00%	-
TOTAL DEVELOPMENT COSTS				**£25,675,102**
LAND VALUE				
Land surplus				£1,934,018
Stamp duty			0.00%	£0
Agent's fees			1.25%	-£24,175
Legal fees			0.50%	-£9,670
Interest on land finance		24 months	6.50%	-£255,051
RESIDUAL LAND VALUE				**£1,645,122**
EXISTING USE				
New floorspace (total)	100%	123,786 sq ft		
Existing space as % of new	30%	37,136 sq ft		
Rent per sq ft		£12.00 per sq ft		
Rental income per annum		£445,630 per annum		
Rent free / void period (years)		3.0	0.7938	
Total revenue, capitalised (including all costs)			8.00%	£4,421,939
Refurbishment costs		£50 per sq ft	£1,856,790	
Fees		7%	£129,975	
Purchaser's costs		5.80%		£141,240
EXISTING USE VALUE				**£2,293,934**
CIL OVERAGE				
EUV including landowner premium		20%		£2,752,721
Residual Land Value less EUV plus premium				-£1,107,598
CIL OVERAGE (per sqm) (net additional floorspace)				-

Appendix 2: Scenario 2 – Development Appraisal

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Scenario 2	500 units - QMUL Rent @ £154.41 across 38 week term (98%) – 6 week vacation (50%)				
DEVELOPMENT DETAILS		500 Units			
DEVELOPMENT VALUE					
Rental Income	£154.41 per week (term)	£154.41 per week (vacation)			
Annual rent per unit - term time	38 weeks	98% occupancy			£2,875,203
Annual rent per unit - summer	6 weeks	50% occupancy			£231,622
Operating costs	500 units			£2,100 per unit	-£1,050,000
Net annual rents					£1,825,203
Total revenue, capitalised (including all costs)				6.25%	£29,203,254
Purchasers costs				1.00%	-£292,033
GROSS DEVELOPMENT VALUE					**£28,911,222**
DEVELOPMENT COSTS					
Development costs					
Demolition costs	£5 psf		37136 sq ft		£185,679
Building costs	£137.40 psf				£17,008,196
Area per unit (incl. common areas)	247.57 sq ft		123,786 sq ft		
External works				10.00%	£1,700,820
Contingency				10.00%	£1,889,470
Professional Fees				10.00%	£2,078,416
Residual S106				£5.00 psf	£618,930
Mayoral CIL				£3.25 psf	£402,305
Disposal Costs					
Letting Agent's fee (% of rent)					
Agent's fees (on capital value)				0.00%	-
Legal fees (% of capital value)				0.00%	-
				0.00%	-
Interest on Finance					
Total development duration			24 months		
Loan arrangement fee				1.00%	£238,838
Interest on construction costs			24 months	6.50%	£1,552,448
Profit					
Developer's profit on total revenue				0.00%	-
TOTAL DEVELOPMENT COSTS					**£25,675,102**
LAND VALUE					
Land surplus					£3,236,120
Stamp duty				0.00%	£0
Agent's fees				1.25%	-£40,452
Legal fees				0.50%	-£16,181
Interest on land finance			24 months	6.50%	-£426,767
RESIDUAL LAND VALUE					**£2,752,721**
EXISTING USE					
New floorspace (total)		100%	123,786 sq ft		
Existing space as % of new		30%	37,136 sq ft		
Rent per sq ft			£12.00 per sq ft		
Rental income per annum			£445,630 per annum		
Rent free / void period (years)			3.0	0.7938	
Total revenue, capitalised (including all costs)				8.00%	£4,421,939
Refurbishment costs			£50 per sq ft	£1,856,790	
Fees			7%	£129,975	
Purchaser's costs			5.80%		£141,240
EXISTING USE VALUE					**£2,293,934**
CIL OVERAGE					
EUV including landowner premium			20%		£2,752,721
Residual Land Value less EUV plus premium					£0
CIL OVERAGE (per sqm) (net additional floorspace)					**£0**

Appendix 3: Scenario 3 – Development Appraisal

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Scenario 3	500 units - QMUL Rent @ £173.90 across 38 week term (98%) ~ 6 week vacation (50%)			
DEVELOPMENT DETAILS	500 Units			
DEVELOPMENT VALUE				
Rental Income	£173.90 per week (term)	£173.90 per week (vacation)		
Annual rent per unit - term time	38 weeks	98% occupancy		£3,238,018
Annual rent per unit - summer	6 weeks	50% occupancy		£260,850
Operating costs	500 units		£2,100 per unit	-£1,050,000
Net annual rents				£2,188,018
Total revenue, capitalised (including all costs)			6.25%	£35,008,288
Purchasers costs			1.00%	-£350,083
GROSS DEVELOPMENT VALUE				**£34,658,205**
DEVELOPMENT COSTS				
Development costs				
Demolition costs	£5 psf	37136 sq ft		£185,679
Building costs	£137.40 psf			£17,008,196
Area per unit (incl. common areas)	247.57 sq ft	123,786 sq ft		
External works			10.00%	£1,700,820
Contingency			10.00%	£1,889,470
Professional Fees			10.00%	£2,078,416
Residual S106			£5.00 psf	£618,930
Mayoral CIL			£3.25 psf	£402,305
Disposal Costs				
Letting Agent's fee (% of rent)				
Agent's fees (on capital value)			0.00%	-
Legal fees (% of capital value)			0.00%	-
			0.00%	-
Interest on Finance				
Total development duration		24 months		
Loan arrangement fee			1.00%	£238,838
Interest on construction costs		24 months	6.50%	£1,552,448
Profit				
Developer's profit on total revenue			0.00%	-
TOTAL DEVELOPMENT COSTS				**£25,675,102**
LAND VALUE				
Land surplus				£8,983,103
Stamp duty			0.00%	£0
Agent's fees			1.25%	-£112,289
Legal fees			0.50%	-£44,916
Interest on land finance		24 months	6.50%	-£1,184,656
RESIDUAL LAND VALUE				**£7,641,243**
EXISTING USE				
New floorspace (total)	100%	123,786 sq ft		
Existing space as % of new	30%	37,136 sq ft		
Rent per sq ft		£12.00 per sq ft		
Rental income per annum		£445,630 per annum		
Rent free / void period (years)		3.0	0.7938	
Total revenue, capitalised (including all costs)			8.00%	£4,421,939
Refurbishment costs		£50 per sq ft	£1,856,790	
Fees		7%	£129,975	
Purchaser's costs		5.80%		£141,240
EXISTING USE VALUE				**£2,293,934**
CIL OVERAGE				
EUV including landowner premium		20%		£2,752,721
Residual Land Value less EUV plus premium				£4,888,522
CIL OVERAGE (per sqm) (net additional floorspace)				**£425**

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