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Dear Sirs

**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'). The opportunity to comment upon the proposed reforms is welcomed. Firstly we provide some background to UNITE by way of an introduction and then we move on to provide representations on specific questions provided at Annex A of the consultation document.

Introduction

By way of background, UNITE are the UK's leading provider of purpose built student accommodation with 42,000 student bedspaces supporting the university and higher education network across the UK. With approximately 8,000 bedspaces in London.

UNITE are concerned the Draft Charging Schedule (DCS) further refinement in order to more accurately reflect the current economic position and ensure that student accommodation development remains viable, particularly when compared to alternative land uses and mindful of the overall element student accommodation contributes to the delivery of the Tower Hamlets Local Plan.

Policy Background

These representations are supported by relevant planning policy within the National Planning Policy Framework (NPPF), the Community Infrastructure Levy Regulations 2010 (as amended), the Community Infrastructure Levy Guidance (CLG, April 2013), Proposed CIL Regulation Amendments (CLG March 2013) and the LBTH Local Plan (Core Strategy Adopted February 2012 and Development Management Policies March 2013).

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.

National Policy – CLG Statutory Guidance (April 2013)

Department for Communities and Local Government (CLG) have issued updated Statutory Guidance (SG) regarding the Community Infrastructure Levy (CIL). Paragraph 4 requires the charging authority to consider relevant national planning policy (including the NPPF) when drafting a charging schedule.

Paragraph 8 confirms a balanced judgement between the introduction of CIL and its impact upon development is required and that in meeting this test 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 21 requires the charging authority to demonstrate how the proposed CIL rate(s) will contribute towards the implementation of the development plan and support development across their area. It further requires that the potential effects of the proposed levy on the economic viability of development.

Paragraph 22 notes the background viability evidence should provide information regarding the level of development contributions previously raised through comparable S106 agreements.

The policy context set out immediately above confirms the detailed approach required by LPAs to account for development viability when preparing draft Charging Schedules.

Proposed Amendment to CIL Regulations (March 2013)

Paragraph 19 of the proposed amended CIL regulations seeks a more evidence-based approach at examination. This is supported by UNITE as the requirement to demonstrate how the rates contribute towards implementation of the relevant plan will ensure that a more positive approach is adopted, particularly regarding housing supply (including student accommodation).

CLG – Clarification of Student housing

- Housing research by the CLG confirms purpose built flats should be included in overall housing supply, as a form of specialist accommodation, meeting a specific housing need.
- This was clarified in Parliament by the Housing Minister in December 2011.

Adopted London Plan 2011

- The London Plan was adopted in July 2011.
- Policy 3.8(B) identifies a number of specialist housing needs across London and requires local authorities in both a plan-making and development control capacity to account for all forms of housing need.

- Criterion (h) is of specific relevance and requires Local Authorities to account for strategic and local student accommodation need and to ensure the capacity for conventional homes is not compromised through this provision.

GLA Adopted Housing Supplementary Planning Guidance (SPG, November 2012)

This document was adopted by the GLA in November 2012 and confirms: -

- Student accommodation is a specialised form of housing;
- And as such, it is exempt from the detailed residential standards set out in the draft Housing SPG.

Further, paragraph 3.1.50 of the draft Housing SPG states: -

"In considering LDF policy approaches to, and proposals for new student accommodation, boroughs should not constrain provision which meets strategic as well as local needs."

Local Development Plan

LB Tower Hamlets Core Strategy

This document was Adopted in 2010 and supports the provision of student accommodation. It states (Policy SP02 (7a)) that the Council will provide for the needs of specialist housing by: -

- (i) focusing student accommodation supporting the London Metropolitan University at Aldgate or locations with high public transport accessibility (PTAL 5 to 6);
- (ii) focusing student accommodation supporting Queen Mary University in close proximity to the University.

LB Tower Hamlets Managing Development DPD

This document was adopted in April 2013 and reflects the area-based restriction with regard to student accommodation supply, in order that student accommodation is expected to be delivered within proximity to London Metropolitan University and Queen Mary University. This potentially includes delivery of student accommodation within CIL Charging Schedule Zone 2.

Representations to Draft Charging Schedule (DCS)

The DCS proposes a disproportionately high student accommodation CIL rate when compared with alternative land uses and does not account for the CIL impact upon scheme viability. This will limit supply of student accommodation, which impacts upon the wider housing delivery agenda. UNITE therefore object to the draft Charging Schedule (DCS).

Two principal issues are identified:

1. Impact Upon Scheme Viability; and
2. Impact Upon Delivery of Development Plan

Each issue is referred to in turn below.

1. Impact Upon Scheme Viability

The DCS assumes a student accommodation rental value of £200p/w over a 41-week annual period, and a £225p/w rental level for 10 weeks per annum (summer let). With regard to student accommodation, no evidence is provided to justify the blanket £200p/w (term time) rental level and similarly no evidence is provided to justify a higher non-term rental period.

The DCS confirms a significant drop in achievable scheme value between Charging Schedule Zones 1 and 2. Rental levels around Zone 2 are reduced over the higher rates achievable within Zone 1, which impacts significantly upon scheme value and viability. A single levy of £425/sq.m for student accommodation cannot therefore be relied upon where market values have not been tested across the zone boundary, particularly where evidence for residential accommodation confirms a significantly reduced CIL rate is viable when comparing Zones 1 and 2.

Mindful that the Adopted Development Plan dictates student accommodation to defined areas within Zones 1 and 2, it is necessary to ensure the proposed CIL rate reflects this. The Council have adopted this approach in dealing with the proposed CIL rate for hotel accommodation. Paragraph 6.38 of the LBTH Viability Study confirms minor changes to rental values or commercial yield significantly impacts upon scheme viability and its ability to support a CIL payment. The Council therefore amended the proposed hotel Levy from £425/sq.m to £210/sq.m.

Paragraph 175 of the NPPF requires the Council to demonstrate the proposed CIL rate contributes to the positive implementation of the plan, including an assessment of how the proposed rate is balanced across various development sectors. Reliance upon a single levy without regard to variations in rental levels achieved (and therefore scheme value) conflicts with the NPPF and cannot therefore be supported.

Mindful of the approach adopted by the Council in determining CIL impact upon hotel development viability within the borough, it is considered that a reduced single-tier levy for student accommodation is proposed. Paragraph 37 of the SG (April 2013) also confirms with regard to differential rates that charging authorities should seek to avoid undue complexity and that Charging Schedules should not impact disproportionately on particular sectors or specialist forms of development.

The Inspector Report regarding the LB Brent Draft CIL Charging Schedule further highlights the requirement to avoid an unnecessarily complex charging schedule. He states: -

“The evidence in the VS also shows that the differences in CIL rates by uses are significantly greater than their geographic variation across the Borough. Using both geographic zones and uses would lead to an excessively complicated charging schedule.”

A simplified approach is therefore necessary, accounting for scheme viability and ensuring development is not prejudiced, in accordance with the Government Growth Agenda and Ministerial Statement. Appendix 4 of the Council Viability Assessment confirms a maximum student accommodation CIL of £250/sq.m (inclusive of Mayoral CIL) is viable where an element of affordable housing is provided through student accommodation schemes. This represents a significant reduction over the proposed CIL rate and demonstrates how a minor reduction in scheme value impacts upon a viable CIL rate for student accommodation and

dependent upon individual site circumstance. A reduced single-tier rate is therefore appropriate which will account for scheme viability across the borough and ensures the Council can demonstrate this element of the development plan can be delivered.

Mindful of the relevant national policy within the NPPF and the SG, the proposed student accommodation CIL levy is unjustified and fails to reflect national planning policy. A significantly reduced single-tier rate for student accommodation is therefore required.

2. Impact Upon Delivery of Development Plan Objectives

Setting an unjustified and disproportionately high CIL rate for student accommodation will prejudice delivery of this specialist accommodation need. London Plan Policy 3.8 confirms the role purpose built student accommodation has within the overall housing market in London and Core Strategy Policy SP02 (7) confirms student accommodation meets identified specialist housing need in the borough. Setting a CIL rate without justification of the scheme value prejudices delivery of this specialised accommodation, directly conflicting with the NPPF and undermining CIL Regulation 14.

Paragraph 175 of the NPPF requires the Council to demonstrate the proposed CIL rate contributes to the positive implementation of the plan. This is reflected within the CLG Statutory Guidance (SG) at Paragraph 8 which requires the Council to demonstrate how the proposed rate will contribute to the delivery/ implementation of the development plan. The draft levy upon student accommodation at £425/sq.m fails to justify the rental levels / scheme value achievable and in comparison with alternative land uses, is disproportionately high. Student accommodation developers are effectively priced out of a competitive site acquisition market. This will prejudice delivery of purpose built student accommodation and is contrary to the aims of NPPF Paragraph 175 and SG Paragraph 8.

Comparison of typical payment under S106 for student accommodation schemes previously approved by the Council against the equivalent scheme CIL level, further undermines the likely delivery of student accommodation. This assessment is required under Paragraph 22 of the SG and has not been undertaken by the Council. A recent relevant example of a student led scheme at 438-490 Mile End Road (PA/09/01916) comprising 7788sq.m student accommodation. The S106 agreement confirmed a total financial contribution of £2.25million.

The same scheme would attract a CIL payment of £3.30million. This represents an increase of 32% which cannot be justified mindful of the economic context and the Government Growth Agenda. Further, students generally place less pressure upon borough/ public infrastructure as most universities provide on-site health/ sports and education (e.g. library) facilities. Notwithstanding the Council Infrastructure requirement set out in Regulation 123 List, the 32% increase in contributions cannot be justified mindful of the reduced requirement for infrastructure from students. A reduced CIL rate for students (mindful of viability above) would also assist in justifying a reasonable comparison with S106 contributions.

Conclusion

Purpose built student accommodation has a positive impact on housing supply thorough meeting an identified specialised housing need. The impact of CIL upon scheme viability requires consideration within the context of the Government Growth Agenda. The proposed CIL rate for student accommodation in LB Tower Hamlets is not justified by an appropriate evidence base and does not reflect relevant national policy. UNITE therefore object to the proposed £425/sq.m levy and are mindful of the following specific issues: -

1. No justification/ evidence for the scheme value (rental level) is provided.
2. No consideration is given to student accommodation within lower value areas.
3. A high proportion of the anticipated student accommodation delivery is directed to Charging Zone 2 which is characterised by lower values.
4. The Council have reduced the proposed CIL rate for hotel accommodation mindful of the disparity in values across the borough.
5. A consistent approach is necessary. A simplified single-tier levy reflecting scheme value across the borough is supported in other adopted charging schedules.
6. It is therefore necessary to adopt a similar approach for student accommodation.
7. The Council viability assessment confirms that minor variations in scheme value triggers a significantly reduced maximum viable CIL rate. This demonstrates a reduced levy is necessary in order to comply with the NPPF and SG.
8. A reduced single-tier levy for purpose built student accommodation will ensure the Council can demonstrate positive implementation of the development plan and that delivery would not be prejudiced.
9. This approach also ensures no disproportionate impact upon one specific development sector occurs, in accordance with the SG.

Therefore a single-tier reduced levy for purpose built student accommodation is required, ensuring a consistent approach and that the adopted Charging Schedule reflects the NPPF and the SG.

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.