

[REDACTED]

153906_C01_200810_CIL Modifications Representation
10 August 2020

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11th August 2020

Planning Policy & Economic Development Team
Runnymede Borough Council Runnymede
Civic Centre
Station Road
Addlestone
KT15 2AH

Dear Sirs,

**Runnymede Borough Council: Community Infrastructure Levy Draft Charging Schedule
Representations to CIL Statement of Modifications submitted on behalf of [REDACTED]**

[REDACTED] has commissioned [REDACTED] to collate a response to the Council's CIL Statement of Modifications to its Community Infrastructure Levy Draft Charging Schedule, published for consultation purposes on the 17th July 2020.

On 15 July 2020, the Council's Planning Committee considered a number of reports, including proposed Modifications that would have reduced the CIL rate applicable to student accommodation from £495 per m² to £345 per m². However, this recommendation was not accepted by the Committee so there has been no alteration to the original CIL proposal in respect of student accommodation

The university considers the key points made in their original submission to be pertinent to the proposed Modifications, but will elaborate in this submission on why the basis upon which the CIL Modifications have been put forward is also flawed.

Introduction

There were two representations submitted to the council in respect of the proposals for a CIL on student accommodation, one by [REDACTED] on behalf of the university and the other by Danehurst, who have recent experience of obtaining and developing sites for 'purpose built student accommodation' or PBSA.

Both the representations by the university and [REDACTED] identified manifest shortcomings in the way the council's advisors, Andrew Golland Associates (AGA) had set out the theoretical case for a student accommodation CIL rate of £495 per m². In response, both representations included a reworking of the AGA viability appraisal which concluded that the level of CIL that could reasonably be expected from student accommodation was substantially lower than AGA's calculations proposed.

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In the university's submission, dated 6 April 2020, an alternative viability appraisal was submitted which showed that based on assumptions that were appropriate and specific to the development of university accommodation on its campus land at Egham, the surplus value per m² would be £98 per m², leading to a suggested CIL rate of £24 per m². Danehurst, likewise submitted their re-workings of the viability appraisal based on figures pertinent to their developments at the Podium (in operation) and the Garage (currently under construction at Harvest Road) and calculated a surplus value of £220 and £517 per m² for these respective developments. The higher value belonged to a development which contained more studio accommodation. The differences in the two submissions – by RHUL and Danehurst - were hardly surprising as the circumstances within which each operates is quite different.

AGA were then asked to review their proposals in the light of these representations. A further viability appraisal was undertaken for a theoretical 1 hectare site developed with student housing. Although with altered assumptions that resulted in a reduction in the perceived surplus per m² of such a development from £2,000 to £825 per m², the draft CIL proposal of £495 per m² was still considered to be substantiated.

The officer's report to the Planning Committee, however, stated that *'The viability evidence suggests Covid-19 will have an impact on CIL rates and therefore some of the rates have been adjusted downwards to reflect this. This includes:*

- *Reduction in the (residential development) rate for Ottershaw from £380 to £300 per sqm*
- *Reduction in the (residential development) rate for Egham (west of M25) from £235 to £180 per sqm*
- *Reduction in the rate for Student Accommodation from £495 to £345 per sqm.'*

This recommendation was not accepted in respect of the student accommodation reduction. Minutes of the Planning Committee state that *'Members did not consider the level of reduction was justified and considered that it was important student developments made a contribution to much needed infrastructure improvements in the local area. An Amendment was moved and seconded that the CIL rate for student accommodation be retained at £495 and not reduced to £345 as proposed'*.

In its earlier representation, the university raised the question of whether its student accommodation developments would benefit from charitable exemption in respect of the university's Charitable Status. The response given by Runnymede Borough Council (RBC) in its *'Summary of Representations to the draft CIL Charging Schedule'* provides no evidence that the council will treat student accommodation by the university as CIL exempt, so this further representation is submitted on the grounds that if purpose built student accommodation were not be CIL exempt (under a s.43 charitable definition), the draft charging schedule would apply and that, as drafted, the rate for student accommodation is based upon inaccurate and inappropriate evidence and would result in such development by the university being unviable, thereby contrary to the objectives and delivery of the Local Plan.

Is the draft charging schedule supported by background documents containing appropriate available evidence?

The Council justifies its proposed Final Draft CIL charging schedule for student accommodation with reference to the Runnymede Local Plan 2030, the Representations Response Paper (RRP)/ CIL Viability Review paper prepared by Andrew Golland Associates and its Technical Background Document addendum dated July 2020.

National Planning Policy Guidance (Paragraph: 004 Reference ID: 10-004-20190509) accepts that in relation to the use of typologies to inform CIL rates, *'plan makers can first group sites by shared characteristics such as location, whether brownfield or greenfield, size of site and current and proposed use or type of development. The characteristics used to group sites should reflect the nature of typical sites that may be developed within the plan area and the type of development proposed for allocation in the plan.'*

As indicated above, the circumstances in which student accommodation is developed on campus for the university and off site by private student accommodation providers are quite different. Despite this, AGA has considered the representations from these two different typologies and put them together. This has resulted in a new viability appraisal which does no justice to the issues relating to either of the two different development types. The university considers that separate CIL viability appraisals should have been undertaken for each development type. This will be explained below.

Inappropriate Evidence for University Provided Student Accommodation

Updated Viability Appraisal – Revenue

AGA has taken Danehurst's figures for rental income for PBSA and applied them to the reworked viability review, with an 11.5-15% reduction, based on Danehurst's stated average rental of £225 for the Garage and £240 for Podium. This reduction may reflect Danehurst's comment that as the amount of (private sector) purpose built student accommodation (PBSA) increases, rentals will come closer to the university's due to the need to compete with other cheaper forms of private accommodation as more PBSA accommodation becomes available. AGA has raised the rental from £160 per week over 40 weeks in its original viability appraisal to £200 per week for 48 weeks in its Viability Review. In the university's viability appraisal, the rent was given as £165 for an average letting period of 44.8 weeks per annum. This was based on empirical university evidence based on its letting model.

Rents achieved by private sector PBSA are currently significantly higher than the university's. The university seeks to house all first year and overseas students in its own halls accommodation, as the university considers that living communally in halls of residence is a key part of the student experience and pastoral care and guidance can better be provided to students living in such accommodation. The university, therefore, seeks to keep its rents as low as possible to reduce the numbers of students attracted to live in private houses outside the campus, where loss of family housing to student accommodation has been a considerable issue with the local community.

The university generally lets accommodation to undergraduates for 38 weeks, though 30 week lets are possible. Post graduate lets may be for 50 weeks, but represents only a very small percentage of all accommodation units across the university's estate. In the notes to the university's submitted viability appraisal, it was stated that allowance was made for the potential use of some student accommodation during the summer vacation for summer school occupation and early arrivals undertaking pre-start courses. To reflect this, an average letting period of 44.8 weeks was determined.

In terms of weekly rentals, for 2020/21, for a 38 week let, these vary across the university's accommodation from £120 per week in the off campus Kingswood halls to £182 per week in the most recently developed accommodation (see table over page). A rate of £165 per week was taken as being representative of good quality accommodation on campus. The original Viability Testing report by AGA noted that there was no RHUL owned accommodation achieving the level now being used (by AGA). It said (page 66) that '*Nationally rents are circa £125 per week (NUS), although in London this increases significantly. The Royal Holloway has accommodation approaching £7,000.*' The document then showed examples of rents from £5,721.48 to £6,913.85. AGA's latest assumption of rents of £200 per week for 48 weeks is clearly not representative of university accommodation rentals.

The AGA Viability Review reworking of the appraisal with a weekly rent of £200 for 48 weeks produces an annual income of £9,600, much higher than the actual amount the university can achieve even in 50 weeks. Allowing for summer letting of its accommodation, the university's rental amounts to only £7,392. The table below shows the variety of annual rental across RHUL's halls for the year 2020/21.

Residence	No of weeks	Weekly rental	Annual Rental
Founder's	38	£127 - £182	£4,833-£6,916.50
Kingswood (off campus)	38	£120 - £152	£4,560 - £5,777
Kingswood (off campus)	30	£119	£3,575
Highfield Court (post grad)	50	£156	£7,804
Penrose Court (post grad)	50	£136	£6,805.50
Penrose Court (post grad)	38	£139	£5,281
Reid	38	£176	£6,686
Reid	30	£174	£5,223
George Eliot	38	£182	£6,914
George Eliot	50	£173	£8,680
Gower & Wedderburn	38	£182	£6,914
Gower & Wedderburn (pg)	50	£174	£8,680
Runnymede 1 & 2	38	£168	£6,392
Runnymede 1 & 2	40	£168	£6,729
Williamson, Tuke & Butler	38	£182	£6,914
Williamson, Tuke & Butler	30	£191	£5,721

In response to the university's submission, the AGA Viability Review has raised the average floor area per bedspace from 20 to 25 m². This is more reflective of actual average floor area per bedspace, but still not reflective of recent developments, as explained in the university's earlier submission.

At the university's recent Harvest Road development, George Eliot hall, the gross floor area was 16,885m² for a development of 621 bedspaces, or an average of 27.2m² per bedspace. In the university's earlier submission this was given as 32m² per bedspace. That calculation was not based on the total site area, but by taking a 1 hectare segment of the site.

Examining table 1 of the Danehurst representation, the average floor space per bedroom for the Pad can be calculated at 25.2m² (220 bedspaces, total GIA, 5550m²), 27.5m² for Podium (178 bedspaces, total GIA 4,902m²) and 29.6m² for the Garage (166 bedspaces, total GIA 4920m²). These figures were based on GIA rather than GEA as in the RHUL case, so relative to GEA, the average floor area per bedspace will be slightly higher.

It is noted that in Danehurst's own worked appraisal which they submitted with their representation, they used average floor space figures for their two examples of 19.36m² and 19.5m², but we believe that these are wrong and must refer to the bedroom size only and fail to account for the communal spaces, such as the kitchen/ dining area.

The university considers that an increase to 27.5m² per bedspace should be the minimum for which allowance should be made to be properly representative of the actual rather than theoretical average floor space. This further reduces the revenue that can be achieved from that set out in AGA's revised appraisal.

In our previous submission for RHUL, we made no comment on the 15% allowance for management and maintenance (M&M) in the AGA viability appraisal, whereas Danehurst suggested that 23% was appropriate for their sites. AGA has increased the allowance for M&M to 20% in the light of this.

In response to the revised AGA viability appraisal, the university has examined their management and maintenance costs against revenue. They have no costs available for individual halls and they have had to apportion some costs between student accommodation and other buildings. The conclusion was that for 2019/20, apportioning costs against revenue at George Eliot hall, M&M amounted to 21.7% of revenue (M&M £1,028,156, revenue £4,732,295).

We enclose at appendix 1, a reworking of the viability appraisal that we submitted with the university's earlier representation. We have applied a rental of £165 per week for 44.8 weeks, as explained above. This is £5 per week higher than previously. We have allowed 27.5m² per room, compared with 30m², although we consider this to be on the low side. We have applied 20% M&M as in the AGA revised viability appraisal. With a yield of 5.5%, as accepted by AGA, the capital value per sqm amounts to £3,910, some 30% lower than AGA estimate of £5,585 per m². AGA's estimates are fundamentally flawed and it is absolutely crucial that any viability appraisal should be based on evidence rather than conjecture.

Accordingly, the university considers the revenue evidence in the AGA reworked viability appraisal is inappropriate and misleading for development undertaken by the university. It may, however, be indicative of the capital value of a private development.

Updated Viability Appraisal - Costs

We are pleased to note that AGA has responded to the university's representation that the build cost allowance was too low and in response has increased the build cost from £1,725 per m² to £2,750 per m², only £10 per m² below the cost RHUL calculated based on its recent student accommodation development. The university made the point that with the increasing push towards Passivhaus, low or zero carbon design and delivery solutions, as supported by Local Plan Policy, the construction costs of student accommodation schemes is, and will continue to incur, a premium. This will not necessarily be reflected in higher rents, but would reduce the operational (running) cost of the scheme over the life of the development.

In addition to the headline construction rates, there is still a fundamental omission within AGA's Reworked Viability Report in relation to planning obligations and total exceptional costs. Off-site measures such as the promotion of sustainable travel, for example, will add developments costs to a scheme, which the Construction Rates as presented appear to exclude. The outline planning permission for 2,650 beds of student accommodation (RU.14/0099) was accompanied by a planning obligation requiring contributions to transport and mitigation for impacts on the Thames Basin Heaths SPA (TBHSPA).

The university's submission of 6 April 2020 referred to the potential impact of CIL on its proposed Rusham Park development. This is also expected to make a substantial contribution towards the cost of replacing the existing Level Crossing (as committed by Network Rail) and necessitates the erection of a pedestrian bridge over the railway. Amendments to the subsidised bus service for students to access the campus and Egham town centre is also proposed. This also requires the construction of a new road link into the campus. This was all detailed in the university's earlier submission, but no account has been taken of this. It is noted that an estimation of planning obligation requirements forms part of the viability assessments of individual major residential allocations in the Runnymede Local Plan, but AGA has not applied the same rigour to the student accommodation viability appraisals.

We note that Danehurst's representations quoted higher figures for construction than the university, and we understand that they were based on actual developments. These may well be reasonable bearing in mind that the sites they have assembled have been smaller than 1 hectare, with all the complications of developing in a well vegetated suburban location with private residential properties close at hand.

The upshot is that the university's revised appraisal shows an even worse return than previously and based on a developer's margin of 20%, there would be a negative residual value to a student accommodation development (see appendix 1). Accordingly, the revised worked example shows that university developed student accommodation cannot afford to pay CIL if it is to be viable.

In terms of development densities, we note that the reworked AGA appraisal has taken into account the university's comments regarding the density of development that can be achieved from a theoretical 1 hectare site. We note that Danehurst have supplied evidence from their developments that suggests a lower density on sites outside the campus. We should add that our previous suggested average gross development floor area of 10,790m² was based on applying a density for the university's recent George Eliot hall development derived from a sample hectare, rather than the whole site. The gross floorspace across the whole site amounted to 16,885m² across a total site area of 2.1 hectares, or 8,040m² per hectare.

In our reworked viability appraisal we have used the density assumptions based on the AGA revised viability appraisal, though we acknowledge that this may well be too generous, especially for developments by private developers off campus.

The university would also comment on the existing land value assumption for commercial land. The commercial benchmark for sites which are in existing agricultural/horticultural use is considered to be £2m per hectare (page 11 of the Technical background Document addendum). It should be noted that there is no land in the Egham/ Englefield Green area allocated for commercial use. As stated in Danehurst's representations, because of the Green Belt status of land around the university and Englefield Green where the university is situated, there is no undeveloped land available for student accommodation development.

The university purchased Rusham Park, a research based site occupied by Proctor and Gamble in 2015. Evidence supplied to Stride Treglown by the university indicates that its purchase was at a price far exceeding the £2m per hectare that is assumed as the Base Land Value, reflecting in part the rental income that it currently provides.

For the purposes of the university's amended viability appraisal, the base land value has been kept at £2m per hectare. Even with this unrealistically low value for land currently in commercial use, the result is that there is no surplus value in student accommodation developed by the university and no CIL should, therefore, be levied.

Appropriateness of the application of CIL to student accommodation

If the university is required to pay CIL to deliver the amount of student accommodation that it is proposing, due to its changed locational strategy for student accommodation, the development will not be viable. This will have a significant impact on the future recruitment of students, upon which much of the university's income is derived. The representation from Danehurst suggests that private student accommodation developments would also be made uneconomic at the rate proposed.

The availability of good accommodation at affordable rents is a key issue in terms of the student experience and the local housing market. In terms of recruitment, it will also affect the ability of the university to attract the best students. The Council has consistently acknowledged in its Local Plan policy documents the important role that the university plays in the economy of the borough and its desire to support the growth of the university.

The charging authority has still not undertaken an appropriate level of consultation

National Planning Policy Guidance (Paragraph: 006 Reference ID: 10-006-20190509 states:

“Plan makers should engage with landowners, developers, and infrastructure and affordable housing providers to secure evidence on costs and values to inform viability assessment at the plan making stage.”

Royal Holloway, University of London is the largest Higher Education Institution within the Borough, and the only such institution that requires to provide accommodation for students.

Given the need for the Council to demonstrate a robust and appropriate evidence base to underpin its CIL Charging Schedule, no approach was made to the University to discuss the evidence that it provided regarding the costs and revenue relating to the provision of student accommodation. The university understands that neither was Danehurst asked to provide further evidence. AGA unilaterally decided which elements of the two representations submissions it considered was appropriate, whereas the two submissions relate to two often very different sets of circumstances. Combining them produces viability evidence that is wholly inappropriate.

Proper consultation with the university after its April 6th CIL representation would have resulted in a more robust understanding of the economics of student accommodation provision by the university; instead there is a revised appraisal which neither reflects the economics of student accommodation provision by either respondent.

The proposed rate or rates are not informed by, and consistent with, the evidence on viability across the charging authority’s area

AGA continue to express the view that the CIL rate for student accommodation should not be affected by distance from RHUL’s campus.

This defies the evidence that the university has witnessed a down-turn in the general level of interest in relation to students wishing to reside within its Kingswood Hall, despite rental levels being the lowest in comparison to other university controlled residences. 38 week lets for 2020/21 at Kingswood Hall, only 1.2 miles by foot from the campus, will be charged at £4,560 or £5,777, well below the rate for campus based accommodation.

Empirical evidence suggests that students are now looking to reside on, or very close to, the main campus. It would, therefore, follow that purpose built student accommodation in locations outside Egham or Englefield Green would not be an attractive proposition, even without the imposition of a CIL charge.

A blanket borough-wide approach to a CIL rate for PBSA is, therefore, not considered appropriate.

Runnymede Local Plan 2030

A uniformly high CIL charge for all forms of student accommodation development would have the perverse effect of increasing the propensity of students to reside in HMOs in Englefield Green and adjacent areas. This would work against stated policies of the Council. A zero CIL for residences on

campus (defined as the full extent of RHUL's current landholdings and any acquisitions contiguous with RHUL's current property) would produce the right conditions to realise the Council's Local Plan policies.

Para 6.61 of the Runnymede Local Plan 2030 (RLP) acknowledges that *'To minimise the pressure on the existing housing stock it is important that new accommodation is provided to meet the proposed growth in students'*.

While Policy SL 23 is a generally supportive policy, Para 6.62 of the RLP acknowledges that windfall sites in sustainable locations may be acceptable for purpose built student accommodation, *"however, the Council will resist purpose built student accommodation in accordance with the criteria contained in policy SL23."*

The University therefore reasonably considers that a wider policy objective of Local Plan Policy SL23 is to limit the impact generated by student accommodation on the local housing market.

For the reasons set out and amplified above, the university considers that the proposed introduction of a £495m² CIL rate is entirely counter to the positive approach cited in RLP policy SL23. The alternative would be to seek to redevelop purpose built student accommodation close to existing residential areas within its estate adjacent to the established residential communities in Englefield Green and Spring Rise, which has significant amenity issues and is not supported by the local community.

The effect of the imposition of CIL on the university's accommodation will be to slow down the increase in the number of university controlled residences on campus, with two potential, but important consequences:

1. Subject to the CIL rate not being prohibitive to private developers, they could look to increase the provision of purpose built student accommodation close to the University Campus, but would need to charge premium rents to offset CIL. The level of rent required would be unlikely to be affordable to many students.
2. A delay in the provision of a net increase in purpose built student accommodation would increase the demand within Englefield Green for students to seek alternative accommodation: in Houses in Multiple Occupation, contrary to the intentions of the Runnymede Local Plan.

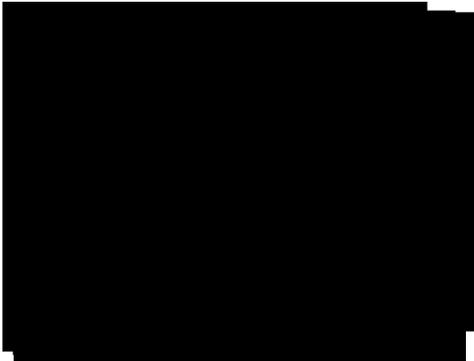
CIL procedural notifications and examination participation

Royal Holloway University of London confirm that it wishes to:

- be heard, in person, at the CIL Examination.
- be notified when the Draft Charging Schedule has been submitted to the Examiner.
- be notified when the Examiner's report is published.
- be notified when the Borough Council adopts its CIL Charging Schedule.



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Summary

The council's response to the representations received in respect of a CIL levy on student accommodation from RHUL and Danehurst considered the detailed comments provided in respect of actual developments to which they referred, in conjunction with the theoretical worked example of a 1 hectare site.

However, as this representation points out, student accommodation development by the university on campus or its own land adjacent to the campus has significantly different costs and revenues to a private development on existing residential land outside the campus. The attempt to synthesise the two sets of figures provided in the representations has led to a revised appraisal which does not represent the ability of a university development to pay CIL. The university has now been able to consider the assumptions used in the AGA viability appraisal in greater depth. Its revised viability appraisal, which is submitted with this written representation demonstrates that CIL would not be viable for its own development.

The University accepts that purpose built student accommodation could have a role to play in meeting wider infrastructure needs, but the level of financial contribution such development should make should be reasonable, proportionate and underpinned by accurate, robust and timely viability evidence. In this case, the justification for applying CIL to university developed purpose built student accommodation has not been proved and as such, CIL should not apply.

Please do not hesitate to make contact should you wish to discuss aspect of the above and attached.

Yours sincerely,

