

Dear Charlotte

My client, Tiago Properties Limited, has provided the following comments on the Old Oak and Park Royal Development Corporation Community Infrastructure Levy Viability Study prepared by BNP Paribas dated April 2022, which formed part of the 'consultation documents' set out on the Council's webpage and we understand informs the proposed CIL rate for Purpose Built Student Accommodation. I'd be grateful if you could please share these comments with the Examiner and ask the Examiner to take the comments into consideration during the Hearing?

The comments, which align to the representations that we made on behalf of Tiago Properties Limited, are as follows.

- The Student Accommodation appraisal results in Appendix 7, assume no sales or build growth.
- Paragraph 6.24 states that *'The results of our appraisals of student accommodation developments are attached at Appendix 7 and summarised in Table 6.24.1 below. This indicates that such developments are viable and able to deliver affordable student accommodation as well as support a maximum CIL rate of £300 per square metre. We therefore recommend that OPDC considers adopting a CIL rate of £190 per square metre for such uses, which allows for both mayoral CIL and an appropriate buffer. This level of charge would amount to circa 4.5% of development costs.'*
- This equates to development costs of £4,222 per square meter. Paragraph 2.62 states that *'The study takes into consideration Mayoral CIL at £60.55 indexed to 2022.'* On this, basis the 'appropriate buffer' was taken to be £49.55 per square metre.
- Appendix 1 – CDM Project Services cost advice – dated 16/08/2021, states that costs are 1<sup>st</sup> Quarter of 2021 and exclude any effects of the new Building Regulations due to be implemented. This resulted in a base build cost for student accommodation in the report of £270 psf. At the end of 2021, the bank base rate was 0.25% and annual inflation (RPI) was 7.5%. The BCIS indices showed construction materials costs rising at 19.8% per annum with building costs and tender prices, rising at 10.6% and 4.9% respectively. the Hays/BCIS Site Wages Cost index showed annual inflation in site wages at 12.8% in Q3 2022.
- Paragraph 4.49 of the main report states that *'our appraisals assume that development finance can be secured at a rate of 6.5%, inclusive of arrangement and exit fees, which reflects the upper end of the range in current funding conditions.'*
- We now know the above figures to be significantly different. The Base Rate is currently 5.25% which is +5% additional cost since the study was prepared and development finance currently extremely difficult to secure. 5 to 30 year SONIA swaps at today's rate are between 3.818% and 4.127% which implies development finance, if available, is likely to have increased over 60% going forwards.
- The diagram in paragraph 3.3 indicates 45% of development costs are Build costs and c5% for interest. On the basis build cost are 45% of the development costs of £4,222 per square meter, a 10% to 15% increase equates to between a £190 to 285

per square meter increase and a 60% increase in development finance to an increase of £211 per square meter since the study was undertaken.

- Mayoral CIL has increased due to indexation (c15% since 2020). On this basis and all development costs having increased, it can be seen that the 'appropriate buffer' of £49.55 per square meter is totally inadequate.
- In addition, we have previously made representations in respect of an allowance of £2,500 per room for operating costs. The rise in particular in utilities and labour costs have seen operating costs in London PBSA increase to between £3,500 and £3,850 per room plus on average £1,000 per room in respect of central marketing booking and reservations costs. £2,500 per room is out of date and does not represent a London situation.

Having regard to the above, it is considered that the evidence informing the CIL rate is significantly out of date, and as a result the proposed CIL rate for student accommodation is unsound. The evidence base should be refreshed in light of current evidence, and revised proposed rates established for examination.

Kind regards

**Alasdair Buckle**

Director

direct: 020 7004 1734

mobile: 07827 553 234

e-mail: [alasdair.buckle@dp9.co.uk](mailto:alasdair.buckle@dp9.co.uk)

**DP9 Ltd**

100 Pall Mall

London

SW1Y 5NQ