

**Statement of Common Ground between LCC & UofL**  
**from meeting on 25 September 2015**

**Point 1 – Student Development Activity in Leicester**

Both parties agree that student accommodation in Leicester is viable – but the University’s position this is only at or close to Existing Use Value. The disagreement relates to the additional viability in the viability model. The University’s position is that there is insufficient additional viability to justify a CIL charge; the Council believes there is.

**Point 2 – Modelling**

The Council’s assumptions (taken from recent planning applications of average studio and cluster size are set out below:

<b>New Table A Review of Recent Planning Applications</b>				
<b>Site Name</b>	<b>New Build/Conversion</b>	<b>Cluster/studio/mix</b>	<b>Average Cluster (m<sup>2</sup>)</b>	<b>Average Studio (m<sup>2</sup>)</b>
11-17 Jarrom Street	New build	Studio	-	21
The Summit, Jarrom St	New build	Studio	-	27
Upperton Road	New build	Studio	-	21
136 New Walk	Conversion	Studio	-	23
Southgates bus depot	New build	Mix - 40% studios	18	25
Albion Street	Conversion	Mix	15	17
Brookland Road	New build	Mix - 25% studios	14	24
55 Oxford Street	New build	Studio	-	24
		Average Scheme	16 m <sup>2</sup>	24 m <sup>2</sup>

Source: LCC

The above assumed room sizes and circulation areas are agreed by the University.

**Point 3 - Values**

There was agreement that rent assumptions are reasonably realistic – however the University believe this would only be so subject to the inclusion of provision for bad debt and void allowance.

The University contend that it is not possible to let student accommodation for 51 weeks per year (to allow for deep cleaning) and the weekly rent assumptions should be applied to no more than 52 weeks.

Agreed that 51 weeks is appropriate for studio rent calculation and 3% write off for bad debts and voids for both studio and cluster assumptions.

**Point 4 – Management Costs**

There was agreement that 30% management costs for clusters and 25% for studios are realistic. However, the University ideally would like this shown as a fixed amount (£1,300 for studios and £1,425 for clusters) rather than as a percentage.

Both parties agree that considering gross rents is not appropriate.

### **Point 5 – Values and Yields**

Agreement on the methodology. However, the University consider that there are incorrect figures included and also missing elements.

Both parties broadly agree with the 6.25% yield figure, although the University believe that yields on smaller units could be around 6.75%.

### **Point 6 – Buyer's Costs**

No agreement was reached but the Council agreed to give this further thought. The University state that the standard market approach is that calculated investment value is reduced by deduction of purchaser costs including stamp duty, solicitors and agents costs.

### **Point 7 – Development costs**

Disagree on stamp duty purchase acquisition costs – the University saying this should be calculated on the additional Residual Value above EUV plus, whilst the Council calculate on just the EUV plus.

The University raised a point on VAT advising that as VAT of professional fees has increased to 20% the market adopted purchaser costs had increased to 1.8% to be added to the stamp duty position. The Council responded that all the appraisals are net of VAT. No agreement was reached – as this will depend on the VAT status of the developers and landowners. The VAT on fees is a different position to VAT on development costs.

Agree in principle on use of BCIS costs but university would like more clarification as to what is included in these costs.

### **Point 8 – Land Values**

The University commented on the Council's EUV values and the Council's values of land with planning consent for student accommodation and would accept the position of EUV value plus 20%, at £2,000,000 plus 20%.

### **Point 9 – Alternative Land Values**

Point of agreement, at £2,000,000 plus 20%. **Point 10 – Overall Viability**

There was disagreement on whether a £30/sq m CIL rate would put development at 'serious risk'. The University's position is that the CIL charge should be nil.