

## **Introduction**

1. The Hearing session relating to the proposed CIL charging rate for student accommodation developments was adjourned on 19 August 2015 in order to allow the Council to carry out further viability work in liaison with representors. Prior to the adjournment, questions 1 to 34 set out in the Examiner's note (published 12 June 2015) were discussed, and no further information or discussion is required in relation to these matters (other than where explicitly stated below).
2. The Examiner has read the document (and four appendices) dated 2 October 2015 produced for the Council by its consultant<sup>1</sup>, and the notes of meetings that the Council had with representatives of the University of Leicester on 21 September and with Code on 25 September. He has also read the representations on behalf of Code dated 22 October and the University dated 23 October
3. The Council's note of 2 October 2015 includes further revised appraisals of student accommodation developments, including some made before discussions with representors and others made after. The Council has stated that these further appraisals supersede all of the earlier appraisals relating to that form of development<sup>2</sup>. For ease of reference, the Examiner will refer to these further revised appraisals as "FRASA".
4. In light of the above, the Examiner has decided to hold a further hearing session starting at **10.00 on Friday 6 November 2015** to discuss the FRASA and representations about it. The following issues and questions will be discussed at that hearing session. The Examiner does not expect any new evidence to be submitted, but does request the Council provides short written answers to each of the questions to the Programme Officer by **midday on Tuesday 3 November 2015**. It would also be helpful if representors answer questions which relate to their representations and in particular where they have outstanding concerns.
5. In preparing these written answers, and when participating at the Hearing session, please bear in mind that the Examiner is not a chartered surveyor. Therefore, it is essential that you explain your case in an appropriate manner so that he is able to make informed judgments about whether the proposed charging rate for student accommodation development is supported and informed by, and consistent with, appropriate available evidence, and that the evidence shows that the proposed rates would not put at risk the overall development of the area.

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<sup>1</sup> *Leicester City Council CIL Student Accommodation – Adjournment Note* (Simon Drummond-Hay, 2 October 2015).

<sup>2</sup> Superseded appraisal work is that contained in the CIL Viability Study January 2013 ("VS"); the CIL Viability Study Update December 2014 ("VSU"), and the Revised Appraisal of Student Accommodation August 2015 ("RASA").

## **Issues and Questions to be Discussed at the Hearing Session on 6 November 2015**

### *General*

- Q43. Is the methodology used in the FRASA appropriate (leaving aside detailed issues to do with input assumptions)?
- Q44. Are the types of student accommodation development appraised in the FRASA representative of development likely to take place in the city in accordance with the core strategy?
- Q45. What proportions of total student accommodation development are likely to be in the form of (a) clusters and (b) studios?
- Q46. Is the proposed charge of £30 per m<sup>2</sup> based on the appraisal and assumptions set out in Appendix 4 and Table 12 (rather than those set out in Tables 8, 9 or B)?

### *Development Value*

- Q47. What assumptions should be made about rooms sizes and circulation space?
- Q48. What assumptions should be made about rents per room?
- Q49. What assumptions should be made about management costs?
- Q50. What assumptions should be made about yields?
- Q51. Based on your answers to the above questions, what is the capital value of cluster and studio developments in terms of (a) £/room and (b) £/hectare?
- Q52. Should this value be adjusted to take account of "purchaser's costs" (stamp duty and agents/legal fees)?
- Q53. Based on your answers to the above questions, what is the net value of cluster and studio developments in terms of (a) £/room and (b) £/hectare?
- Q54. Any other comments about development value?

### *Development Costs*

- Q55. What assumptions should be made about the cost of purchasing the land, including stamp duty and agents/legal fees?
- Q56. What assumptions should be made about build costs?
- Q57. What assumptions should be made about infrastructure costs?
- Q58. What assumptions should be made about abnormal costs?

- Q59. What assumptions should be made about the costs of strategic promotion and planning?
- Q60. What assumptions should be made about the cost of planning obligations?
- Q61. What assumptions should be made about professional fees?
- Q62. What assumptions should be made about contingency costs?
- Q63. What assumptions should be made about finance costs?
- Q64. What assumptions should be made about sales and marketing costs?
- Q65. What are "miscellaneous costs", and are the assumptions about these appropriate?
- Q66. What assumptions should be made about interest?
- Q67. What assumptions should be made about developer's profit?
- Q68. Based on your answers to the above questions, what are the total costs, in £/hectare, of each of the types of student accommodation development:
- a) Cluster – 60 rooms
  - b) Cluster – 175 rooms
  - c) Cluster – 500 rooms
  - d) Studios – 60 rooms
  - e) Studios – 175 rooms
  - f) Studios – 500 rooms
- Q69. Any other comments about the costs of student accommodation development?

*Residual Land Value*

- Q70. Based on your answers to the above questions, what would the residual land value in £/hectare be for each of the types of student accommodation development without CIL being charged:
- a) Cluster – 60 rooms
  - b) Cluster – 175 rooms
  - c) Cluster – 500 rooms
  - d) Studios – 60 rooms
  - e) Studios – 175 rooms
  - f) Studios – 500 rooms
- Q71. And what would the residual land value in £/hectare be for each of the types of student accommodation development with a CIL charge of £30 per m<sup>2</sup>:
- a) Cluster – 60 rooms
  - b) Cluster – 175 rooms
  - c) Cluster – 500 rooms
  - d) Studios – 60 rooms
  - e) Studios – 175 rooms
  - f) Studios – 500 rooms

### *Comparative Land Values*

- Q72. Is student accommodation development currently viable in the city?
- Q73. What is the "existing use value" of land upon which student accommodation development is likely to take place (£/hectare)?
- Q74. What would be the likely sales price of that land for the "next best" type of development (£/hectare)?
- Q75. What have been the sales prices of student accommodation development sites in the city in recent years (£/hectare)?
- Q76. What is an appropriate "threshold land value" that a willing landowner would be likely to expect in order to sell their site for student accommodation development (£/hectare)?

### *The Proposed £30 per m<sup>2</sup> Charge*

- Q77. What % of the maximum potential rate ("additional profit") would the proposed charging rate of £30 per m<sup>2</sup> for student accommodation development represent?
- Q78. What % of total development cost would the proposed charging rate of £30 per m<sup>2</sup> for student accommodation development represent?
- Q79. What % of total development value would the proposed charging rate of £30 per m<sup>2</sup> for student accommodation development represent?
- Q80. What % of residual land value would the proposed charging rate of £30 per m<sup>2</sup> for student accommodation development represent?
- Q81. How much CIL income would a charge rate of £30 per m<sup>2</sup> for student accommodation development be likely to generate?

### *Specific Modifications*

- Q82. If you consider that the proposed charging rate of £30 per m<sup>2</sup> for student accommodation development would put at risk the overall development of the area, what specific modification are you seeking?