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From: [REDACTED]
Sent: 30 January 2024 17:02
To: localplan@york.gov.uk
Cc: [REDACTED]
Subject: York City Council's Revised CIL Draft Charging Schedule – Representations by the Watkin Jones Group
Attachments: York City Council's Revised CIL Draft Charging Schedule – Representations by the Watkin Jones Group.pdf

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Dear Sir or Madam

Please find attached the comments of the Watkin Jones Group in relation to York City Council's Revised CIL Draft Charging Schedule.

Please do not hesitate to contact me should you have any queries or wish to discuss any aspect of our representations.

Kind regards

[REDACTED]
[REDACTED]
[REDACTED]

Kingsfield Court, Chester Business Park, Chester, CH4 9RE



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TELEPHONE: 0203 617 4453

30 January 2024

By Email – localplan@york.gov.uk

Dear Sirs,

Consultation on York City Council's Revised CIL Draft Charging Schedule – Representations by the Watkin Jones Group

Please find below the comments of the Watkin Jones Group PLC (WJG) in relation to York City Council's Revised CIL Draft Charging Schedule.

About Watkin Jones Group

With a focus on delivering for our customers since 1791, WJG is the UK's leading developer and manager of residential for rent homes. By spearheading this emerging sector, WJG is creating the future of living for a diverse and growing group of people who want flexibility, convenience, and a strong sense of community alongside the best location and value. Its purpose-built build to rent (BTR, multifamily), co-living and student homes (PBSA) are designed and built sustainably, and welcome people from all backgrounds to enjoy a great way of life, generating a positive impact for wider communities. Beyond residential for rent, its successful and well-established house building division has an increasing focus on the delivery of affordable and BTR single family homes.

With increasing pressure on many areas to speedily deliver new housing, WJG has an excellent track record of creating homes fast without compromising on quality. Over 95% of its projects are on site within six months of the grant of planning permission and its in-house construction capacity means that it can rapidly boost housing supply. Over the last 25 years WJG has delivered approximately 60,000 homes, including over 52,000 student homes, and approaching 5,000 BTR homes, and has a significant pipeline. In York, WJG delivered 368 student homes at Frederick House on Fulford Road in 2022.

Today, WJG successfully works across every part of the UK focussing on centrally located, previously developed sites. WJG's end-to-end delivery model means that it acquires, designs, and builds places, and typically remain within communities as on-site building managers. Fresh is its multi award-winning operator-arm, who are currently managing approximately 17,000 rental homes across the UK and Ireland. Fresh achieves 95% customer satisfaction, and cares for our residents with a range of wellbeing and community building activities.

Purpose of Representations

WJG has reviewed the revised CIL Draft Charging Schedule and the documents which support the proposed rates. This includes the City of York Viability Addendum (November 2023) prepared by Porter Planning Economics. WJG's representations focusses upon, and objects to, the proposed rates for off-campus PBSA (£150 per sq. m) and residential dwellings within the City of York (£200 per sq. m).

WJG considers that some of the assumptions made within the Viability Addendum (VA) do not accurately portray the true financial characteristics of developing and operating PBSA and residential homes within York. WJG also highlights that the Council has not appraised the financial dynamics of BTR homes and whether they can viably support the proposed residential rate for the city centre. If the proposed rates are adopted without providing correct financial information to underpin the proposed CIL rates, the result will be that these forms of much needed, rented homes will not be viable and thus will not be delivered.

Using its extensive and current knowledge of the funding, delivery, and operation of residential for rent homes, WJG provides evidence to demonstrate that some of the assumptions detailed within the VA are incorrect. WJG currently objects to the proposed CIL rates for PBSA and city centre residential schemes because the evidence



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which has been used to assess whether these rates are viable is incorrect. To satisfy the CIL regulations, WJG encourages the Council to revisit its viability evidence supporting the proposed CIL rates, correct this information where highlighted and, if required, revise its CIL rates for these forms of homes.

Proposed PBSA Rate (£150 per sq. m)

WJG has reviewed the assumptions detailed within the VA, specifically the '350 bed, off-campus PBSA' appraisal in Appendix A1.8 (page 81). We set out below those which are considered to be inaccurate:

Input	Approach within VA	Recommended Change	Commentary
Funding Yield	5.25%	6.00%	Investment market downturn since Q4 2022. The following deals were concluded in 2023: <ul style="list-style-type: none"> Former Alton Cars, James Street – JV between S Harrison Developments and QIP comprising 319 beds. 5.60% yield. Q2 2023. Rialto House – JV between Olympian and Cain International comprising 275 beds. 5.70% yield. Q3 2023. <p>WJG have seen further deterioration in the market since the above two transactions were agreed. Our current view of a realistic funding yield is 6.00%</p>
Build Rate	£58,355 per bed	£90,000 per bed	WJG is an integrated constructor/ developer with a strong team of estimators and excellent supply chain relationships. We are constantly pricing PBSA schemes UK wide and are on site delivering several schemes for forthcoming academic years. We have recently completed a PBSA development in York. <p>We believe a 350 bed PBSA scheme in York would carry a base build cost of £90,000 per bed, given heritage constraints impacting on development (e.g. reduced massing, less efficient development, increased material costs).</p> <p>The VA does not account for build cost inflation which could range from 5% to 10% applied to base costs.</p>
GIA/ Efficiency	26.5 sq. m per bed	32.5 sq. m per bed	The GIA per bed within the VA is wholly unrealistic. Given low land availability in York and a particular scarcity of large square sites to optimise efficiency, WJG consider 32.5 sq. m per bed to be a realistic target. <p>The inaccuracies in the build rate and the GIA assumption it is applied to (GIA/ efficiency) significantly understate development costs in the appraisal.</p> <p>Using £90,000 per bed and a GIA reflecting 32.5 sq. m per bed provides for a base build cost of £31,500,000/ £2,769 per sq. m. This is more robust and appropriate evidence than £20,424,312/ £2,199 per sq. m assumed in the VA.</p>
Land Cost	£10,783 per bed	£30,000 - £55,000 per bed	The latest land evidence WJG is aware of is Rialto House detailed above. Terms of the land element of the deal are confidential but we understand pricing reflected circa £30,000 per bed. WJG is aware of other recent land transaction discussions in York at values equating to £55,000 per bed.

We object to the proposed CIL rate for PBSA as the inputs of the viability evidence upon which the rate is based are incorrect. To satisfy CIL regulations, the VA needs to be updated to reflect the correct assumptions to be included as detailed above. The proposed CIL rate may need to be revisited as a result. A CIL rate based on correct viability assumptions will ensure that much needed student homes are delivered within York.

Proposed Residential Rate – City Dwellings (£200 per sq. m)

WJG similarly object to the proposed rate for city centre dwellings, as the VA does not consider the financial dynamics of built to rent (BTR) developments and whether the proposed residential rate within the city (i.e. £200 per sq. m) would be viable for BTR. WJG also notes that some of the inputs within the viability evidence are incorrect. To satisfy CIL regulations and ensure that the proposed CIL rates are based on sound viability evidence, WJG encourages the Council to assess BTR and resolve the incorrect assumptions.

BTR will provide an increasingly important form of homes within York, responding to a change in trends with people increasingly renting. This can be seen with Moda's development at Heworth Green which is under construction. It is therefore essential that the proposed CIL rate for city dwellings, which does not differentiate between rental and for sale dwellings, is based on sound evidence which covers all forms of dwellings for which there is a need within York.

The financial dynamics of BTR developments are different, for example:

- BTR values are calculated similarly to PBSA values as they are an income generating asset. Rents, operational costs, and yields need to be applied to demonstrate an investment value, as opposed to a sales value.

- Historically BTR investment values have shown approximately a 10% discount to private sales. This can vary between locations, depending on site availability and supply/ demand dynamics.

By looking solely at open market sales values as a metric for private housing delivery and viability, the Council is at risk of increasing the barriers to delivery for rental homes.

WJG has similarly reviewed the assumptions detailed within the VA for residential dwellings within the city and similarly considers some of these to be incorrect. These are detailed alongside recommended changes within the table below.

Input	Approach within VA	Recommended Change	Commentary
Build Rate	£147 per sq. ft (flatted development costs)	£260 to £320 per sq. ft.	<p>As with PBSA, WJG is constantly pricing BTR schemes across the UK and are actively delivering several thousand BTR homes in London, Cardiff, Birmingham, and Belfast.</p> <p>WJG is underwriting regional BTR schemes is in the range £260 to £320 per sq. ft. Again, we would expect York to be towards the higher end of this range, for the reasons detailed for PBSA. The VA does not also account for build cost inflation which could range from 5% to 10% applied to base costs.</p> <p>Multifamily BTR schemes are flatted, typically delivered in urban centres, and are typically delivered at scale. While there are few buildings of height within York, the approach adopted by the VA in basing the build cost for flatted development on a median value between one-to-two storey and three-to-five storey build costs. This does not reflect the actual costs that would be incurred for a typical BTR scheme.</p>
GIA/ Efficiency	<p>55.0 sq. m per unit NIA</p> <p>64.4 sq. m per unit GIA</p> <p>Gross-to-net efficiency 85%</p>	Gross-to-net efficiency 72%	<p>While the GIA per bed within the VA is focused on private sale scheme, that notional scheme would have very few (if any) communal areas. This does not reflect the physical characteristics of a BTR scheme. WJG recommends a target efficiency ratio of 73 to 75%, which includes such amenity space.</p> <p>As mentioned above, typical BTR schemes are above the expected new threshold for maximum building heights for single stair cores and will require secondary means of escape under building regulations. This has reduced the typical efficiency of the building to allow for the provision of extra cores. Taller projects that are required to include secondary means of escape are expected to achieve efficiencies of circa 72%.</p> <p>As with the PBSA assumptions, the inaccuracies in the build rate and the GIA assumption it is applied to (GIA/ efficiency) significantly understate realistic development costs in the appraisal.</p>

To ensure that much needed city centre rental homes are delivered within York, WJG encourages the Council to update the VA to reassess the viability of BTR developments and whether the proposed city centre residential rate (£200/ sq. m) is viable.

Final Comment

We trust that our above objections and recommended amendments to these aspects of the revised CIL Draft Charging Schedule are of assistance to the Council.

We consider that the proposed CIL rates for PBSA are based on inaccurate viability information and do not accurately portray the correct financial characteristics of this type of development. We believe that the Council has not assessed the financial characteristics of BTR developments and whether the proposed CIL rate for city centre residential developments is viable and delivers profit for developers. As a company who has developed, delivered and operated a significant quantum of PBSA and BTR developments across the UK including within York, we have highlighted the inaccuracies and have provided accurate information to correct these.

If the proposed CIL rates for PBSA and city centre residential dwellings are adopted, this will result in PBSA and BTR developments being unviable and will stop much needed forms of homes within the city from being delivered as envisaged by emerging Local Plan. With changing trends towards people renting their homes and these developments being institutionally funded, the supply of homes within York will be significantly decreased as a result, which will lead to significant economic impacts for the city.

Please do not hesitate to contact [REDACTED] or [REDACTED] should you have any queries.

Yours faithfully

[Redacted signature]

[Redacted name]

