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Dear Sir/Madam

DRAFT CIL CHARGING SCHEDULE (PARTIAL REVIEW) – REPRESENTATIONS OBO ADVANCED RESEARCH CLUSTERS

On behalf of our client, Advanced Research Clusters **('ARC')**, please find enclosed representations made to Oxford City Council **('the Council')** in respect of its current consultation on a Draft CIL Charging Schedule (Partial Review) **('the draft Schedule')**.

ARC has reviewed the content of the draft Schedule and supporting evidence base and raises several concerns. This includes the notable five-fold increase in the chargeable levy for 'Class E Business' schemes, which is considered unviable with regard to the out-of-town location of ARC Oxford and other policy requirements being set by the emerging Oxford Local Plan 2040 **('draft Local Plan')**.

It should be noted that ARC has also made representations to the Council's Regulation 19 consultation on the draft Local Plan, which should be read in conjunction with these representations.

Appraisal Assumptions

The draft Schedule is supported by evidence within the 'Oxford City Council: Local Plan Viability Assessment (July 2023)' **('LPVA')** prepared by BNP Paribas. The LPVA assesses the viability of the policies proposed in the draft Local Plan as well as new CIL rates across several development scenarios – including office/R&D development.

The conduction of the appraisals involve utilising cost assumptions for the construction process. Having reviewed this within document, ARC objects to two assumptions made by BNP Paribas in their application of development costs in Section 4.

Development Finance

Firstly, as detailed at Paragraph 4.27, the LPVA has applied an assumption that development finance can be secured at a rate of 6.5%. However, ARC consider that this assumption is too low. In its recent experience of procuring debt funding for new speculative R&D developments across its portfolio, the combination of the base rate and margin on debt finance has been more in the region of 8.5%.

This represents an increase to the cost of delivering development which should be applied to the appraisals of the proposed CIL rate, as well as the draft Local Plan's provisions.

Build Costs

Secondly, as detailed at Paragraph 4.17 and Table 4.17.1, the LPVA utilises as an estimate of build costs for different development types from RICS' Building Cost Information Service (BCIS). For office and R&D developments, this is assumed to be £2,839/sqm in a 'policy-off' scenario, raising to £3,822/sqm when applying the requirements of a 'policy-on' scenario.

However, based on its own recent experience of pricing new development schemes at ARC Oxford, ARC's view on benchmark pricing is that cost estimates are more in the region of £4,400/sqm. It should be emphasised that this is when applying the 'policy-on' costs of the current Local Plan which contains more stringent requirements than the draft Local Plan. Moreover, these costs are what are expected of a simple 'shell and core' scheme.

Accordingly, appraisals for R&D buildings must be amended/taken into account to reflect these increased costs to assess the implications more accurately of the proposed increase to the 'Class E Business' levy, as well as emerging policy requirements.

Lack of Locational Differentiation

On the evidence provided, ARC is concerned that the application of an increased CIL rate for 'Class E Business, applied at City-wide rate, would render schemes unviable, particularly those in out-of-town locations where rents are lower and major employment sites are typically designated – such as ARC Oxford and other sites like Oxford Science Park.

PPG (Paragraph 022 Reference ID: 25-022-20190901) clarifies that CIL Regulation 13 permits charging authorities to *"apply differential rates in a flexible way [including] in relation to geographical zones within the charging authority's boundary; types of development; and/or scales of development"*. Charging Authorities taking this approach need to ensure that such different rates are justified by a comparative assessment of the economic viability of those categories of development. The above is particularly clear with regard to viability appraisals on Affordable Workspace. BNP Paribas conclude that office/R&D developments providing affordable workspace under all tested scenarios outside the City Centre *"would generate negative residual land values and are therefore unlikely to come forward"* (paragraph 6.32) yet this remains a requirement for ARC Oxford in the emerging Local Plan 2040.

With respect to CIL, the locational impact is also visible in the appraisals undertaken by BNP Paribas as summarised at Table 6.56.1. In these appraisals, for each typology, the benchmark land value was deducted from the residual land value to identify the maximum potential CIL, which was then divided by the gross floorspace to achieve a rate.

In the case of scenarios involving the redevelopment from offices, as well as new development on vacant/greenfield land, the appraisals demonstrate office/R&D development would not begin to justify a higher CIL rate above the current rate until land values reach £7,840. These land values are more akin to those found in the City Centre, rather than out-of-centre locations like ARC Oxford, as demonstrated in Figure 2.16.1.

In any case, ARC is mindful of the conclusion of BNP Paribas in relation to any increase in CIL in the current economic climate (paragraphs 6.59):

"The immediate economic outlook is relatively uncertain, with upwards pressure on build costs arising from labour shortages, increasing materials pricing caused by supply chain issues, and increased energy prices arising from geo-political issues. At the same time, the outlook for residential markets is less certain due to

rising interest rates following the government's 'fiscal event' at the end of September. Revised forecasts published by the major agents now forecast lower cumulative growth over the next five years than was previously the case. In this context, it would appear premature to increase the rates in the adopted charging schedule at the current time, but this could be revisited after the longer term impact of the 'fiscal event' becomes clearer." (our emphasis)

Some justification for the partial review and increase of the 'Class E Business' levy is provided at paragraph 6.60, however, this is predicated on the delivery of significant volume of business floorspace, with BNP Paribas only considering this to *"likely"* (rather than fully) justify a review. In consideration of the appraisal numbers provided, ARC consider such an increase will lead to widespread unviability of development proposals, particularly in more peripheral locations.

Considering proposals in the draft Local Plan, ARC urge the Council to abandon the proposed significant increase to rates for Class E Business Uses. If this is to be increased, it should reconsider more geographically refined requirements. This will be vital to ensuring employment land, already in short supply, can deliver development types and needs.

Next Steps

I trust our observations are clear and will be accommodated by the Council prior to submission of the draft Local Plan and the draft Schedule for Examination. Please could I be notified of any progress regarding the CIL Charging Schedule, including notification of its submission.

Yours sincerely,

[redacted]

James Ellis
Senior Planner

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