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Planning Policy
Oxford City Council
Town Hall, St. Aldates
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Our Ref: AFG/RJLD/ALBR/U0015775

Oxford CIL Partial Review Draft Charging Schedule

Red Barn Farm

Dear Sir/Madam

Gerald Eve have reviewed the Oxford City Council draft charging schedule (DCS) (November 2023) and supporting information, including the BNP Oxford City Council: Local Viability Assessment ('BNP Viability Assessment') (July 2023) on behalf of our client, Merton College Oxford. The purpose of this exercise was to consider the approach undertaken and potential effects of the imposition of the proposed Community Infrastructure Levy (CIL) rates for different uses in respect of development across the city.

In particular, Gerald Eve has considered the DCS in respect of the assessment of viability in respect of the proposed CIL rates upon Merton College's site at Red Barn Farm. Red Barn Farm is allocated in the Oxford Local Plan 2036 and benefit from draft allocations within the Oxford Plan 2040. For reference, the draft policy designates Red Barn Farm for employment uses and ancillary uses.

We have summarised their findings below based upon this initial analysis. It is not the intention of this note to provide a full detailed analysis or put forward alternative viability evidence. This can of course be provided following consideration of these representations by Oxford City Council.

Gerald Eve act for numerous landowners in Oxford and have undertaken a comprehensive range of financial viability, valuation and agency work in the area over the past 5 years. We are therefore very familiar with Oxford, its geography and typography, the local market and viability of property development.

Gerald Eve have also undertaken CIL assessments elsewhere and sat on the working parties for the RICS Financial Viability in planning (RICS GN) and Local Housing Delivery Group, Viability testing Local Plans (LHDG Advice) which both addressed area-wide viability assessments.

In reviewing the DCS, Gerald Eve have had regard to the CIL Regulations 2010 (the "Regulations") as well as information published by the DCLG on CIL.

Replica Test

Using the inputs outlined in the BNP Viability Report, GE have produced a replica appraisal. We have adopted an indicative massing of 100,000 sq ft (GIA) and a net:gross efficiency of 90%. This results in a Net Internal Area of 90,000 sq ft.

Input	Location / Description	Assumption
Rent	Rest of City	£340 per sq m (12 months' rent free)
Yield	Rest of City	6.00%
Build Costs	320 Generally – air conditioned (UQ)	£2,839 + 10% externals.
	Cost uplift for operational carbon for non-domestic	5%
Professional Fees	City wide	10%
Development Finance	City wide	6.5%
Marketing Costs	City wide	2.5%
CIL	City wide	£168.74 per sq m
S106	City wide	£25 per sq m
EV Charging	City wide	£500 per charging point
BNG	City wide	1.4% of construction cost
Profit	City wide	15% of GDV
Exceptional Cost	City wide	Nil
BLV	City wide	£370,000 to £7,630,000 per gross hectare

Replica Appraisal Output

Using the above inputs, the output/out-turn of our replica appraisal is **-£4.97 million**.

The appraisal produces a negative land value, whereby gross development cost (excluding land cost) is greater than gross development value. Therefore, assuming the above inputs the scheme is not viable, even when adopting a benchmark land value of £0.



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Appraisal Inputs

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Further to the above, Gerald Eve particularly questions the following inputs:

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- Build Cost: BNP have adopted BCIS costs. These do not reflect the site-specific factors and complexities of developing on the Red Barn Farm site. Further, these costs are not fully reflective of build costs following significant cost inflation since 2020;
- Professional Fees: Not reflective of the level and quality of design work required to deliver an office scheme in Oxford;
- Profit: Not sufficient to incentivise development of commercial property in Oxford in the current economic climate.
- Development Finance: Not reflective of current inflationary environment.

Failure to undertake site specific assessment

NPG (Paragraph: 003 Reference ID: 10-003-20180724) states the following:

*“Assessing the viability of plans does not require individual testing of every site or assurance that individual sites are viable. Plan makers can use site typologies to determine viability at the plan making stage. Assessment of samples of sites may be helpful to support evidence. **In some circumstances more detailed assessment may be necessary for particular areas or key sites on which the delivery of the plan relies.**”*

As an allocated site, Gerald Eve consider Red Barn Farm to be a key site on which the delivery of the plan relies. Gerald Eve therefore questions why BNP have not undertaken a site-specific assessment in this instance. We further note that BNP have not undertaken a site-specific assessment for any commercial sites in the city.

We question why further site-specific testing has not been undertaken, particularly when considering the scale and impact of the proposed changes to CIL charging (c. 500% increase).

Conclusions

We conclude as follows:

- The proposed CIL rates, particularly the Class E Business, B2 General industrial and B8 Storage or distribution rates at £168.74/sq m, are excessive and represent an unprecedented increase of 500% on January 2024 levels. This is not justified and would need result in effective outcomes.
- We have not presently been able to reconcile the appraisal inputs provided in the BNP Viability Report with a viable appraisal. The output is a negative land value, which must be lower than the Benchmark Land Value.

- Gerald Eve note that differences in rent and yield between 'City Centre' and 'Rest of City' have been identified in the BNP Viability Report, but have not been reflected in differential CIL rates for the City Centre and Rest of City.
- Gerald Eve's analysis of the current level of the proposed CIL rates shows that it will act as an obstruction to the development Red Barn Farm.
- The consequence of introducing a charging schedule at the rates set out in the DCS would be to stifle development and significantly harm commercial development in the city. We consider that this would be particularly pertinent in 'Rest of City' locations, including Red Barn Farm.
- As a result, the proposed CIL charging rates should be re-considered and re-evaluated to ensure that development is still capable of coming forward.

Yours faithfully

Gerald Eve LLP

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