

13 June 2013

Delivered by email

Gavin Ball
Planning Policy Officer
London Borough of Haringey
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Wood Green
London
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Dear Mr Ball,

LONDON BOROUGH OF HARINGEY COMMUNITY INFRASTRUCTURE LEVY (CIL): DRAFT CHARGING SCHEDULE (April 2013)

We act on behalf of Travelodge Hotels Ltd (Travelodge) and write in response to the current consultation being undertaken by the Council in respect of the Community Infrastructure Levy (CIL): Draft Charging Schedule (April 2013). The content of the enclosed representations is focused upon the proposed charging rate for hotel development within the Borough based on the detail contained within the CIL: Draft Charging Schedule (2013) and CIL: Updated Viability Study (2013).

Travelodge, as a national budget hotel operator with particular growth aspirations within London, has a clear interest in the Borough's proposed CIL charge rates and its impact on the feasibility of delivering development. Throughout the recession, Travelodge has developed new hotels alongside its development partners. However, as well as for other property sectors, development is becoming increasingly difficult and frustrated through the increasing demands of property legislation, planning, availability of funding and now CIL.

Overall Travelodge consider that CIL is an onerous requirement on development projects through its inherent inflexibility. Borough wide CIL charging schedules coming forward, combined with site specific S106 contributions and the already adopted Mayoral Crossrail CIL levy means that budget hotel development within London will be severely impacted upon and will become unviable in most instances. This includes within the London Borough of Haringey.

Proposed CIL Charge Rate: C1 - Hotels

The Draft Charging Schedule (April 2013) sets out the proposed CIL charge rates for development in the Borough at Table 2. Hotel development is not identified as a 'standalone' use in the Table, but is grouped with other uses under the category 'All other uses'. The CIL charge proposed for this category is £50 per square metre in addition to a Mayoral CIL charge at £35 per square metre. Therefore the total CIL charge applicable to hotel development in the Borough is £85 per square metre.

Some use classes identified within Table 2 such as residential, have a variable CIL rate dependent on location within the Borough. Three CIL charging zones have been created, west, central and east. This shows that for some use classes an acknowledgement and an appreciation resulting from appraisal analysis has proven that the Borough has a variable economic context. The acknowledged economic

disparity across the Borough should be applied to other use classes including hotel use, which in our view would mostly reveal that a nil CIL charge should be applied in particular (or all) areas of the Borough.

To this extent the proposed CIL charge for hotel development is not considered justified. The CIL Charging Schedule has failed to appropriately consider the economic disparities that exist within the London Borough of Haringey and has resulted in a single charge rate being proposed across the whole Borough. The proposed CIL charge and lack of variation dependent on location will be responsible for adversely impacting on hotel development proposals; which is clearly not the intention of CIL as is noted at paragraph 3.1 of the Draft Charging Schedule.

Even more fundamental is the total lack of evidence for the proposed hotel rate of £50 or any hotel rate.

Lack of Evidence

Paragraph 3.3 of the Draft Charging Schedule states that an independent examiner will '*assess whether the charge has regard to the evidence base and that the level of charge is reasonable and will not impact negatively on the economic viability of development*'.

The CIL Updated Viability Study (April 2013) does not include any evidence of undertaking hotel development appraisals within the Borough or for 'All other uses' as per the category hotel development is defined within. Therefore there is no evidence base in existence to justify the proposed CIL charge and accordingly it is considered that these assessments need to be undertaken. Stating simply that '*a CIL rate of £50 per square meter is unlikely to be of significance in terms of viability, as it will equate to a very small proportion of development costs in most cases*' is neither accurate or based on appropriately informed evidence or indeed any apparent evidence.

The most fundamental issue with the Viability Study and Charging Schedule is therefore that the rate charged for hotel development has not been informed by appropriate evidence and any hotel viability appraisals. Any proposed CIL charge rate should be transparent in its background in arriving at any per square metre figure. This is not the case when considering the CIL charge rate for hotel use.

Gathering an appropriate evidence base to inform CIL charging schedules is being advocated by the Government, in DCLG's latest consultation '*Consultation on Community Infrastructure Levy (CIL) Further Reforms*'. It requires a charging authority to strike an appropriate balance between the desirability of funding infrastructure from the levy and the potential effects of the levy on economic viability of development across an area. This has not been considered as part of the London Borough of Haringey's Draft Charging Schedule with respect to hotel development.

It is Travelodge's view that the evidence base test needs to ensure that in preparing a charging schedule for hotel development that the charging authority has:

- a) Undertaken a number of hotel economic viability appraisals, adjusting the various assumptions as appropriate (to provide for sensitivity testing), and to undertake assessments for hotel schemes in different locations across the Borough; and
- b) Engaged with the hotel development sector to gather market information to input into the viability assessments.

This clearly has not been undertaken.

The lack of any hotel appraisals represents a fundamental failing in the CIL viability work undertaken and this lack of information cannot inform the CIL charge for hotel development across the Borough.

Appropriate evidence and viability testing of hotel development schemes is an essential requirement in formulating a proposed CIL charge.

Conclusion

Overall, CIL should not worsen viability and prejudice development. To enable a charging authority to fully understand the potential effects of a hotel levy on the economic viability of development, hotel development appraisals with hotel sector input should be undertaken. This analysis should also establish a differential CIL rate dependent on the location of proposed development in the Borough.

This evidence gathering exercise has clearly not been undertaken with respect to hotel use and as such the proposed CIL charge rate put forward in the Draft Charging Schedule cannot be supported.

We would welcome the opportunity to further discuss with the Council and its consultant's viability inputs with respect to hotel development within the London Borough of Haringey.

I trust that these representations will be taken into account in advance of submitting the CIL Charging Schedule for examination. We also request to appear at the Examination.

Yours faithfully



Kiran Ubbi
Planner