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**McCARTHY & STONE RETIREMENT LIFESTYLES LTD.
REPRESENTATION TO THE COMMUNITY INFRASTRUCTURE LEVY PRELIMINARY DRAFT CHARGING
SCHEDULE**

As the market leader in the provision of retirement housing for sale to the elderly, McCarthy and Stone Retirement Lifestyles Ltd considers that with its extensive experience in providing development of this nature it is well placed to provide informed comments on the emerging Solihull Borough Council Community Infrastructure Levy (CIL), insofar as it affects or relates to housing for the elderly.

The effect of the imposition of CIL will be to constrain land supply. This is a significant threat to land with a high existing use value and therefore to the delivery of retirement developments, which due to the nature of residents are required to be sited in close proximity to town and local centres. It is hoped that the CIL schedule can be adopted in a way that does not constrain this much needed form of development.

The CIL Guidance published in December 2012 by the Department for Communities and Local Government (DCLG) states consistently that *'In proposing a levy rate(s) charging authorities should show that the proposed rate (or rates) would not threaten delivery of the relevant Plan as a whole'* (Paragraph 29).

The CIL Guidance also stresses the importance of this principle to individual market sectors that play an important role in meeting housing need, housing supply and the delivery of the Development Plan, such as specialist accommodation for the elderly. This is relevant in the context of Paragraph 37 of the Guidance:

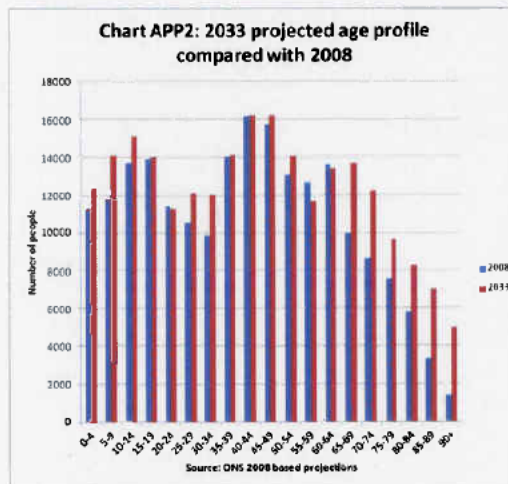
"... However, resulting charging schedules should not impact disproportionately on particular sectors or specialist forms of development and charging authorities should consider views of developers at an early stage".

Where the provision of specialist accommodation for the elderly plays a clear role in meeting housing needs in the emerging or extant Development Plan, by not properly considering the effect of CIL on this form of development the Council would be putting the objectives of the Development Plan at risk and thereby contravening Government Guidance. It is therefore of clear importance that the emerging CIL rate accurately assess the development of specialist accommodation for the elderly in Solihull.

Growing Elderly Population

The National Planning Policy Framework stipulates that the planning system should be '*supporting strong, vibrant and healthy communities*' and highlights the need to '*deliver a wide choice of high quality homes, widen opportunities for home ownership and create sustainable, inclusive and mixed communities. Local planning authorities should plan for a mix of housing based on current and future demographic trends, market trends and the needs of different groups in the community...such as...older people' [emphasis added].*

The "What Housing Where Toolkit" developed by the Home Builders Federation uses statistical data and projections from the Office of National Statistics (ONS) and the Department for Communities and Local Government (DCLG) to provide useful data on current and future housing needs. The table below has been replicated from the toolkit and shows the projected change to the demographic profile of Solihull between 2008 and 2033.



In line with the rest of the country, this toolkit demonstrates that the demographic profile of the Borough is projected to age, with the proportion of the population aged 65 and over increasing from 17.95% to 23.99% between 2008 and 2033. The largest proportional increases in the older population is expected to be of the 'frail' elderly, those aged 75 and over, who are more likely to require specialist care and accommodation.

The emerging Solihull Draft Local Plan Core – Submission Draft (2012) reflects this by identifying the demographic profile of the area is ageing, raising concerns over the future provision of adequate support and accommodation for the growing elderly population. The provision of suitable housing to meet the diverse needs of the population is addressed in *Policy P4: Meeting Housing Needs* which states 'In addition to requiring a proportion of the homes to be '*affordable*' the Council will identify the tenure, mix and type of the homes and any requirements for homes to be designed to meet specific needs such as those of older or disabled people'. It is therefore clear that the development of specialist accommodation for the elderly is a priority for the Council.

In light of the above, we consider that it is of vital importance that the emerging CIL does not prohibit the development of specialist accommodation for the elderly at a time when there is an existing and urgent need for this form of development and that by not properly assessing this form of development the proposed CIL rate would threaten the delivery of the relevant Development Plan contravening Government Guidance.

Development Scenario

As you are aware, as a national retirement housing company, McCarthy & Stone are currently submitting planning applications throughout the Country, including several within the Borough of Solihull. In light of this we obviously need to ensure that the supporting viability work for the CIL is actually representative of what is happening in the real market place for all forms of housing, as, if it is not, the adoption of CIL may prevent needed development coming forward.

The Preliminary Draft Charging Schedule, whilst differentiating between the higher and lower value areas of the Borough, provides a uniform CIL levy rate for all forms of residential development and does not differentiate between houses, flats and specialist accommodation for the elderly, despite the significant differences between these forms of accommodation

Whilst there is an understandable desire to keep the charging rates as simple as possible the broad inclusion of some retirement housing within a "general residential heading" fails to acknowledge the very specific viability issues associated with such specialist accommodation for the elderly. Given the significant differences between sheltered accommodation and standard market housing, it is unclear as to what the basis for such advice is, particularly as the Viability Assessment does not appear to include a development scenario for sheltered housing.

A crucial element of the CIL viability appraisal will be to ensure that the baseline land value against which the viability of the retirement scheme is assessed properly reflects the spatial pattern of land use in the locality.

Therefore the viability of retirement should be assessed against both likely existing site values, and just as importantly, of potential alternative (i.e. competitor) uses. Our concern is that CIL could prejudice the delivery of retirement housing against competing uses on the land suitable for retirement housing schemes.

The average age of residents in retirement housing is around 79 years old, likely to have abandoned car ownership, be of lower mobility and/or rely on close proximity to public transport. For this reason retirement housing developers will not consider sites that are over a walking distance of approximately half a mile from a town or local centre with a good range of shops and services to meet a resident's daily needs. The result is that retirement housing can only be built on limited range of sites, typically high value, previously developed sites in close proximity to town centres. It is worth noting that Paragraph 27 of the December 2012 Community Infrastructure Levy Guidance recognises that brownfield sites are those where the CIL charge is likely to have the most effect, stating; *"The focus should be in particular on strategic sites on which the relevant Plan relies and those sites (such as brownfield sites) where the impact of the levy on economic viability is likely to be most significant"*.

The Viability Assessment should therefore provide a development scenario for a typical flatted retirement housing scheme, located on a previously developed site within 0.4 miles of a town centre.

Viability Assumptions

Any CIL viability assessment should consider the effect of the imposition of CIL on a retirement apartment scheme and should be quantified using appraisal inputs specific to the retirement housing product. It is not correct to simply assume that a general needs apartment scheme is comparable to a retirement apartment scheme as there are a number of key differences which will affect the land value that can be produced by each.

The remainder of this representation will provide details of the appraisal inputs specific to retirement housing.

Communal Areas

Many forms of specialist accommodation for the elderly, such as retirement housing, provide communal areas for residents at an additional cost to developers. Specialist housing providers also have additional financial requirements as opposed to other forms of development that will only pay on 100% saleable floorspace. This does not provide a level playing field for these types of specialist accommodation and a disproportionate charge in relation to saleable area and infrastructure need would be levied.

In comparison to open market flats the communal areas in specialist accommodation for the elderly are considerably larger in size, fulfil a more important function and are accordingly built to a higher specification in order to meet the needs of the elderly than those provided by open market flatted developments. Typically an open market flatted residential development will provide 16% non-saleable floorspace, whereas this increases to approximately 30% for sheltered accommodation and 35% for Extra Care accommodation.

This places providers of specialist accommodation for the elderly at a disadvantage in land acquisition as the ratio of CIL rate to net saleable area would be disproportionately high when compared to other forms of residential accommodation

Sales Rate

In the case of retirement housing for example there is also a much longer sales period which reflects the niche market and sales pattern of a typical retirement housing development. This has a significant knock on effect upon the final return on investment. This is particularly important with empty property costs, borrowing and finance costs and sales and marketing which extend typically for a longer time period. Currently the typical sales rate for a development is approximately one unit per month, so a 45 unit retirement scheme (i.e. an average sized scheme) can take 3-4 years to sell out.

As a result of this typical sales and marketing fees for specialist accommodation for the elderly are typically in excess of 6% of GDV, not the 4% assumed in the Viability Assessment.

Empty Property Costs

Properties can only be sold upon completion of the development and the establishment of all the communal facilities and on-site house manager. These communal areas cost additional monies to construct and are effectively subsidised by the developer until a development has been completely sold out. In a McCarthy and Stone development the staff costs and extensive communal facilities are paid for by residents via a management / service charge. However, due to the nature of these

developments the communal facilities have to be fully built and operational from the arrival of the first occupant. Therefore to keep the service charge at an affordable level for residents, service charge monies that would be provided from empty properties are subsidised by the Company (these are typically known as Empty Property Costs). This is a considerable financial responsibility as, as previously mentioned, it usually takes a number of years to fully sell a development. For a typical 45 unit McCarthy and Stone Later Living development the Empty Property Costs are on average £100,000.

Build Costs

Whilst the Viability Assessment differentiates between the build costs between bungalows, houses and apartments, excluding abnormals, it does not consider the build costs of flatted sheltered housing.

The Build Costs Information Services (BCIS) shows that the Mean Average Build Costs per m² for a region. This database consistently shows that build costs vary significantly between housing types with the cost of providing sheltered housing consistently higher than for general needs housing and apartments.

While the BCIS figures are subject to fluctuation it is our experience that specialist accommodation for the elderly tends to remain in the region of 5% more expensive to construct than apartments and generally between 15 to 20 % more expensive than estate housing. No analysis of the build costs for sheltered accommodation is provided in the Viability Study.

Payment by Instalments

Consideration should also be given to the timing of CIL payments and an allowance for payment by instalments. Whilst we appreciate that, in line with 69B of the CIL Regulations 2011, an instalment policy does not form part of the charging schedule and would not be subject to examination, we would welcome flexibility in the timing of CIL payments as on commencement would introduce an additional financial cost on the development prior to the receipt of any revenue from the proposed development. This would place an additional burden on the developer and would affect the viability of the development, and possibly in the case of residential development impinge upon the developer's ability to provide for affordable housing.

This issue is compounded in the case of specialist accommodation for the elderly, as developments need to be completed in their entirety before a single unit of accommodation can be sold. It is considered that at the earliest, part payment on first occupation would be fairer and would reduce unnecessary financial costs to the developer. This should then be phased depending upon occupation levels. For the foreseeable economic climate, such as currently being experienced, there is considerable merit in staged payments reflecting occupation levels throughout the sale of the development

Summary

Given the extent of projected housing need for older person's accommodation it is paramount that the Solihull Borough Council CIL schedule recognises the potential shortcomings of providing a uniform CIL rate for all forms of residential development. The additional costs associated with the construction and initial maintenance of this form of development, coupled with the slower sales rate, make it clear that the financial viability of such developments are more finely balanced than those of houses and apartments.

It is for the above reasons that we suggest either a bespoke CIL rate is prepared for sheltered housing and other forms of specialist accommodation, or, that the CIL levy is restricted to the saleable areas of these forms of development.

Thank you for the opportunity for comment.

Yours faithfully,



Ziyad Thomas
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