THE PLANNING BUREAU LIMITED

Town Planners
Bournemouth • London • Manchester • Coventry
York • Glasgow
Architects

REPLY TO: HOMELIFE HOUSE, 26-32 OXFORD ROAD, BOURNEMOUTH, DORSET, BH8 8EZ TEL: 01202 508206 FAX: 01202 508277
Ziyad.thomas@theplanningbureau.ltd.uk

Head of Strategic Planning
Winchester City Council
Colebrook Street
Winchester
S023 9LJ

1st February 2013

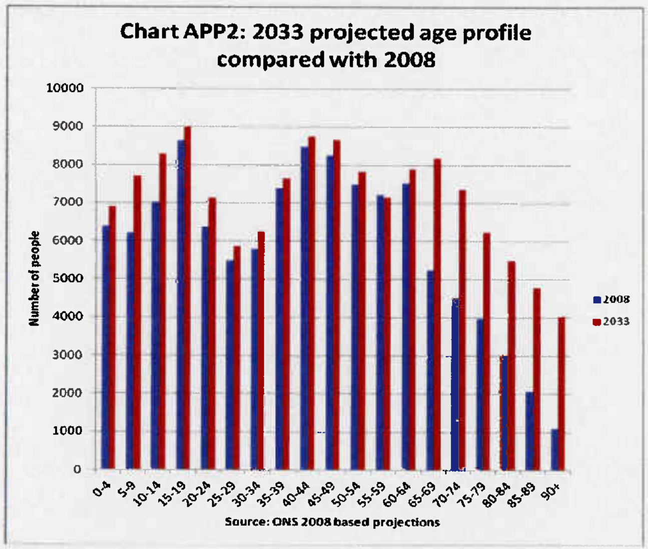
**McCARTHY & STONE RETIREMENT LIFESTYLES LTD.**
**REPRESENTATION TO THE COMMUNITY INFRASTRUCTURE LEVY PRELIMINARY DRAFT CHARGING SCHEDULE**

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 Winchester City Community Infrastructure Levy (CIL), insofar as it affects or relates to housing for the elderly.

**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 Winchester between 2008 and 2033.




In line with the rest of the country, this toolkit demonstrates that the demographic profile of Winchester is projected to age, with the proportion of the population aged 65 and over increasing from 17.74% to 26.7% 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 South Downs and Winchester Joint Core Strategy identifies that the demographic profile of the area is ageing. Concerns over the future provision of adequate support and accommodation for the growing elderly population are addressed in *Policy CP2: Housing Provision and Mix* stating that *'New residential development should meet a range of community housing needs and deliver a wide choice of homes... Specialist forms of accommodation such as extra care housing for older persons and homes for those with disabilities and support needs should be provided, where appropriate, taking into account local housing needs'.*

In light of this, it is therefore 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.

**Viability Appraisal Assumptions**

The Preliminary Draft Charging Schedule proposes different levy rates for residential development across the Council area based on the following Zones:

- Zone 1 – Strategic Allocations and the South Hampshire urban area;
- Zone 2 – Winchester Town ; and,
- Zone 3 – Market Towns and Rural Area.

The levy however provides a single uniform CIL levy rate for all forms of residential development and does not differentiate between houses, flats and specialist accommodation for the elderly, despite 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 retirement housing within a "general residential heading" fails to acknowledge the very specific viability issues associated with such specialist accommodation for the elderly. Indeed it is our understanding that the Viability Assessment did not include a development scenario for sheltered housing, despite the significant differences between this form of accommodation and standard market housing.

As you are aware, as a national retirement housing company, McCarthy & Stone are currently submitting planning applications throughout the Country. Presently all but a handful of our schemes are unable to support policy compliant levels of affordable housing contributions and as such have required viability assessments. 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.

## 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 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 conservative 3% 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**

Whist the Viability Assessment differentiates between the build costs between general estate housing, two storey houses, three storey houses and apartments between three and five storeys in height, 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 $m^2$ 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.

The most recent BCIS figures for Winchester (1st February 2013) shows that the mean cost of building one $m^2$ of estate housing is £862, while the equivalent cost for apartment developments is £1,014 per $m^2$. Sheltered housing costs £1,070 per $m^2$ - 5.5% more expensive than the cost of building apartments and 24% more expensive than estate housing.

While the BCIS figures are subject to fluctuation over time, it is our experience that the build costs for flats tend to remain in the region of 15 to 20 % more expensive than those of estate housing, with specialist accommodation for the elderly 5% more expensive to construct than apartments.

The build costs used for the viability appraisals, as detailed on page 21 of the Residential CIL Viability Study, were cited as £1,342 per $m^2$ for housing and £1,385 per $m^2$ for flats, a difference of just 3% in the build costs. Whilst the use of first hand experience of build costs from developers in the Winchester area is logical, you would have to question the robustness of evidence which reduces the gap in build costs to such an extreme extent.

**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 Winchester City Council CIL schedule recognises the potential shortcomings of providing a uniform CIL rates 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,

[redacted]

Ziyad Thomas
Policy Planner
The Planning Bureau Ltd.