

The Planning Policy Team,
Woking Borough Council
Civic Offices,
Gloucester Square,
Woking,
Surrey,
GU21 6YL

30th August 2013

Dear Sirs,

REPRESENTATION TO THE COMMUNITY INFRASTRUCTURE LEVY DRAFT CHARGING SCHEDULE

This is a joint representation on behalf of McCarthy & Stone Retirement Lifestyles Ltd. and Churchill Retirement Living Ltd. the market leaders in the provision of retirement housing for sale to the elderly. It is estimated that of the specialist housing providers currently active in this specific market (not including the out of town "retirement village" model), the two companies deliver over 80% of the current supply between them. It is therefore considered that with the extensive experience in providing development of this nature, these companies are well placed to provide informed comments on the emerging Woking Borough Council Community Infrastructure Levy (CIL), insofar as it affects or relates to housing for the elderly.

McCarthy & Stone Retirement Lifestyles Ltd. provided commentary on the Preliminary Draft Charging Schedule in April 2013 in which we in turn expressed our concern that the emerging CIL could 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. Notably we raised concerns as to how specialist accommodation for the elderly differs from general needs housing through key issues including, amongst other things, communal floorspace built to a higher specification, a slower sales rate and higher empty property costs. On this basis we respectfully requested that a specific development scenario for sheltered accommodation be carried out for this form of development. For your convenience we have provided a copy of our initial responses.

The effect of the imposition of CIL will be to constrain land supply. This is a particularly 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, as it does in the context of Woking Borough Council, 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 must be noted that, despite the above, a separate development scenario for specialist accommodation for the elderly has not been conducted and this form of development has still been amalgamated into a general residential levy rate. Indeed, the viability of specialist accommodation for the elderly has been given marginal consideration by the Council and their chosen consultants Dixon Searle LLP.

The sheltered / retirement housing industry has become increasingly concerned over the potential effect that CIL could have on their ability to successfully compete for land and develop. As discussed at length in our previous representation, the viability of specialist accommodation for the elderly is more finely balanced than conventional housing and accordingly a uniform CIL rate applied to all forms of residential development could potentially render all development of this type unviable in the Authority. It is therefore imperative that when determining CIL rates the charging authority completes an accurate development scenario for specialist accommodation for the elderly to ascertain whether it can support the same level of CIL.

The Need to Test Sheltered / Retirement Accommodation

In our representation to the Preliminary Draft Charging Schedule in April 2013 we detailed how the demographic profile of the Borough was projected to age over the Development Plan period and how, as a consequence, the adopted Woking Core Strategy (2012) highlights the importance of meeting the housing needs of the elderly, specifically within the wording of Policy CC13: *Older People and Vulnerable Groups* which clearly states *'The Council will support the development of specialist accommodation for older people and vulnerable groups in suitable locations.'*

We recognise that the number of sheltered / retirement developments coming forward will be limited, particularly when compared to general needs / family housing. We do not however consider that the comparative disparity in the volume of units implies a lower level of importance as the provision of specialist housing is integral to meeting the diverse housing needs of the Borough and creating balanced and sustainable communities. Indeed, we would argue that rendering the development of specialist accommodation for the elderly unviable would undermine the delivery of the Development Plan.

There is an increasing consensus within the Planning Industry that specialist accommodation for the elderly should not be viewed as an oversight or 'casualty' of the CIL regime. Pertinently, the Retirement Housing Group (RHG), a consortium of retirement housing developers and managers from the private sector and housing associations, recently commissioned the consultants Three Dragons to produce a paper that provides evidence and guidance for viability practitioners in appraising sheltered / retirement and extra care accommodation. This paper was sent to every viability practitioner in the UK with a copy sent to the Planning Minister, Nick Boles – a copy of this paper has also been attached for your convenience.

The Planning Minister responded positively to the RHG's paper with a letter sending out a message to charging authorities that they should differentiate between retirement housing and general needs homes where viability is an issue. The letter states "... *The revised Guidance published in December 2012 is clear that "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". (page 121, paragraph 37). The guidance does not specify that any form of housing should be treated any differently to other sectors but is clear that if you have any evidence that your development would be made be made unviable by the proposed levy charge, this should be considered by the Authority and the examiner...'*. A copy of the Minister's letter is provided for your convenience.

Additionally, a joint position paper produced by McCarthy & Stone Retirement Lifestyles Ltd and Churchill Retirement Living Ltd, the two largest providers of specialist housing for the elderly, was recently sent to every local planning authority in England and Wales. The paper provides a number of recommendations on testing the viability of specialist accommodation for the elderly for CIL and how it differs from conventional housing. A copy of this paper has also been appended for your convenience.

It is therefore considered that there is a considerable amount of guidance publically available for charging authorities and viability practitioners with which to assess the viability of specialist accommodation for the elderly both competently and quickly.

Viability of Specialist Accommodation for the Elderly

It is important to understand the nature and types of site on which a retirement housing scheme can be delivered. McCarthy & Stone and Churchill Retirement Living are amongst developers of this form of housing who will only consider sites within a reasonable level walking distance of town and local centres with an appropriate range of amenities including pharmacies, doctor's surgeries, post offices, a good range of shops for daily basket shopping etc. Sites further from these facilities become unsuitable when one bears in mind the reduced reliance on car ownership of this sector of the population.

These sites are typically Brownfield windfall sites with a strong existing use value, and are in high demand in the land market (in the main having been openly marketed) for the same reasons that they are suitable for elderly residents (proximity to amenities etc). Competitor uses for these sites can include offices, hotels, care homes and other residential uses. Retirement housing is amongst a small number of uses that are highly location specific and there are therefore very few alternative locations to consider. It is therefore important to assess the relative viability of a range of other uses suitable for a site on which a retirement scheme could be located.

We have taken a view as to those residential uses which may be likely to secure planning permission on these types of site in the context of the Dixon Searle Partnership Viability Report scheme typologies. These range from lower density family housing to higher density mixed schemes. We have further cross referenced these with the Value Levels 5-12 from the DSP report. Finally we present a range of residual land value data from a "typical" retirement housing scheme (using inputs set out in the joint position paper produced by M&S and Churchill Retirement Living appended to this letter), and using values on a £m² basis. These have been assessed using the HCA Development Appraisal Tool, working Excel versions of which can be made available if required. Assessments of the "unencumbered" scheme value have been made to demonstrate that with flexible planning

obligation policies there is scope for some delivery of retirement housing. Further assessments of the effects of affordable housing policy, and the proposed CIL £125 per m² rate have also been carried out. The table below presents the evidence:

		40 unit sheltered housing scheme.				Alternative Uses for a typical site suitable for retirement housing - From Appendix IIa DSP Assessment of Viability - Assumes policy compliant Affordable Housing and CIL @ proposed charging schedule rate @ £125m ²			
Value Level	Values £/m ²	"Unencumbered" RLV £/Ha	Current Situation RLV £/Ha (40% AH assumes "free land" commuted sum)	Proposed Situation RLV £/Ha (Assuming £125m ² CIL, no affordable housing commuted sum)	RLV - 10 houses £/ha	RLV - 15 Houses £/ha	RLV - 15 Flats £/Ha	RLV - 25 Mixed £/Ha	
VL5	£ 3,250	£ 535,000	£ 321,000	Negative	£ 2,082,000	£ 1,775,000	£ 1,255,000	£ 1,301,000	
VL6	£ 3,500	£ 1,401,000	£ 840,600	£ 401,000	£ 2,576,000	£ 2,239,000	£ 1,832,000	£ 1,702,000	
VL7	£ 3,750	£ 2,268,000	£ 1,360,800	£ 1,268,000	£ 3,047,000	£ 2,672,000	£ 2,345,000	£ 2,070,000	
VL8	£ 4,000	£ 3,134,000	£ 1,880,400	£ 2,134,000	£ 3,482,000	£ 3,058,000	£ 2,896,000	£ 2,393,000	
VL9	£ 4,250	£ 4,000,000	£ 2,400,000	£ 3,000,000	£ 3,915,000	£ 3,443,000	£ 3,338,000	£ 2,714,000	
VL10	£ 4,500	£ 4,866,000	£ 2,919,600	£ 3,866,000	£ 4,349,000	£ 3,827,000	£ 3,783,000	£ 3,037,000	
VL11	£ 4,750	£ 5,732,000	£ 3,439,200	£ 4,732,000	£ 4,784,000	£ 4,214,000	£ 4,229,000	£ 3,359,000	
VL12	£ 5,000	£ 6,598,000	£ 3,958,800	£ 5,598,000	£ 5,217,000	£ 4,598,000	£ 4,674,000	£ 3,681,000	
Retirement scheme "Viable" against next best alternative use									
Retirement Scheme "Not Viable" against next best alternative use									

As the table above demonstrates, in all cases retirement housing is rendered uncompetitive against other uses by the disproportionate effect of the full policy compliant affordable housing requirement. However, given this is often a negotiable commuted sum based on the viability of the scheme against reasonable alternative use values, the table also shows that an "unencumbered" retirement housing scheme can compete in the land market at VL 9 and above albeit with some lower level of affordable housing commuted sum than an amount based on "free land". This is borne out by the fact that the target towns of Churchill Retirement Living and McCarthy & Stone are West Byfleet, Byfleet & Woking (VL9 & above).

The introduction of a non-negotiable element of CIL at £125m2 would mean a charge of c£1m per hectare for a retirement scheme at 100 dwellings per hectare. In all cases (except VL12) this would remove the scope to make any affordable housing contributions whatsoever (threatening the delivery of the Core Strategy affordable housing policy), whilst also making a retirement housing scheme uncompetitive against alternative uses. This could mean retirement housing would not come forward under normal circumstances in any but the highest value locations. Sites further from town centres with lower values may be economically feasible on paper but are not suitable for elderly residents given the distance from local services and amenities that are crucial to the success of a scheme of this type.


The alternative approach put forward here is to exempt retirement housing with an age restriction from CIL charges - this will ensure viability in VL7/8 - 12 against competitor scheme types, whilst also allowing for viability led contributions to be made to affordable housing. This will not benefit the developer financially since all surplus land value over and above the next best use is going toward Affordable Housing as a commuted sum payment. However it will ensure that this specialist form of housing is not squeezed out of the land market and is allowed to properly compete on a level playing field with other types of housing unburdened by an age restriction, which could reasonably be located on alternative sites. The effect will not be to swamp the local area with age restricted schemes since development of these specialist housing types is highly capital intensive and relies heavily on demographics to maintain an already constrained sales rate of only 1 unit per development per month. It will not therefore be preferential or state aid treatment for this sector.

On this basis we can only conclude that there is no reasonable justification for a CIL charge on sheltered housing at the same level as general needs housing.

In summary, both McCarthy & Stone Retirement Lifestyles Ltd wholly reject the Council's stance on the viability of specialist accommodation for the elderly, which we consider to be both unreasoned and unjustified. **On this basis we feel it is necessary to present this issue at Examination.**

Thank you for the opportunity for comment.

Yours faithfully


Ziyad Thomas
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The Planning Bureau Ltd