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City of Bradford MDC  
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08<sup>th</sup> February 2015

## **REPRESENTATION TO THE BRADFORD METROPOLITAN BOROUGH COUNCIL COMMUNITY INFRASTRUCTURE LEVY –DRAFT CHARGING SCHEDULE**

This is a representation on behalf of McCarthy & Stone Retirement Lifestyles Ltd. As the market leaders in the provision of retirement housing for sale to the elderly, McCarthy & Stone Retirement Lifestyles Ltd considers that with its extensive experience and expertise in providing development of this nature it is well placed to provide informed comments on the emerging Bradford MBC Council Community Infrastructure Levy insofar as it affects or relates to housing for the elderly.

The CIL Guidance published in February 2014 by the Department for Communities and Local Government (DCLG) states consistently that Charging Schedules are required to take into consideration the impact of CIL on the delivery of housing with the CIL Guidance stating that *'As set out in the National Planning Policy Framework in England (paragraphs 173 – 177), the sites and the scale of development identified in the plan should not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened...'* (**Section 2:2 How are Community Infrastructure Levy Rates Set**).

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 detailed in **'Section 2:2:2:6 Can Differential rates be set?'** which states:

*'...Charging schedules with differential rates should not have a disproportionate impact on particular sectors or specialist forms of development. Charging authorities should consider the views of developers at an early stage.'*

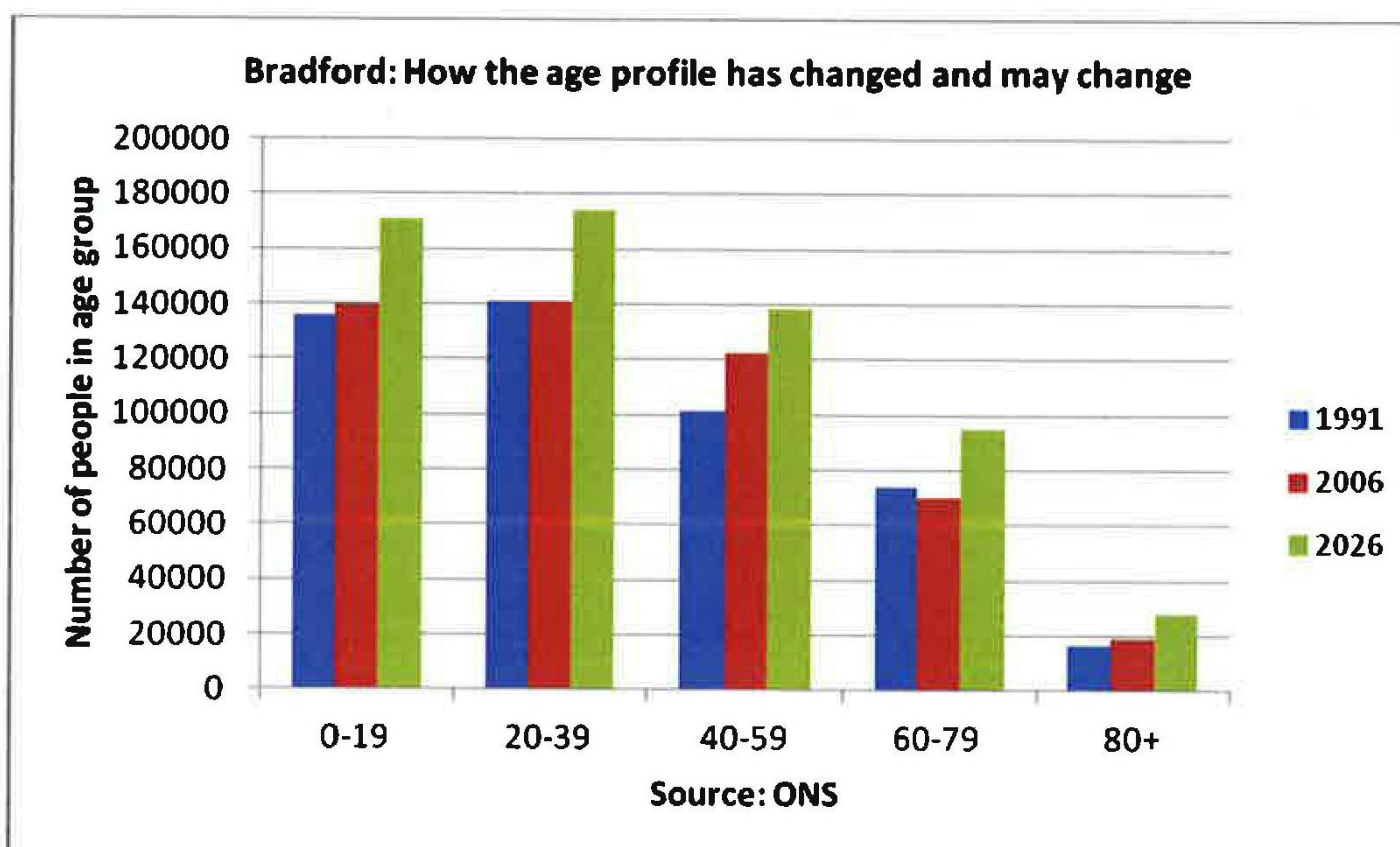
Where the provision of specialist accommodation for the elderly plays a clear role in meeting housing needs in the emerging or extant Development Plan, as it does in the context of the Bradford LDF, by not properly considering the effect of CIL on this form of development the Council would be putting the objective of the Development Plan at risk and thereby contravening Government Guidance.

## 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 recently published National Planning Practice Guidance reaffirms this in the guidance for assessing housing need in the plan making process entitled 'How should the needs for all types of housing be addressed?' (Paragraph: 021 Reference ID: 2a-021-20140306) and a separate subsection is provided for 'Housing for older people'. This stipulates that "the need to provide housing for older people is critical given the projected increase in the number of households aged 65 and over accounts for over half of the new households (Department for Communities and Local Government Household Projections 2013). Plan makers will need to consider the size, location and quantity of dwellings needed in the future for older people in order to allow them to move. This could free up houses that are under occupied. The age profile of the population can be drawn from the Census data. Projections of population and households by age group should also be used. The future needs of older persons housing broken down by tenure and type (e.g. Sheltered, enhanced sheltered, extra care, registered care) should be assessed and can be obtained from a number of online tool kits provided by the sector. The assessment should set out the level of need for residential institutions (use class C2). But identifying the need for particular types of general housing, such as bungalows, is equally important." (My emphasis)

The "What Homes 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 the Bradford MBC Council between 2006 and 2033



In line with the rest of the country, this toolkit demonstrates that the demographic profile of the Authority is projected to age. The proportion of the population aged 60 and over is projected to increase from 18.1% to 20.2% between 2008 and 2026. The largest proportional increases in the older population are expected to be of the 'frail' elderly, those aged 75 and over, who are more likely to require specialist care and accommodation provided by Extra Care accommodation.

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 Local Development Plan.

### **The Case for Testing Sheltered / Retirement Housing**

McCarthy and Stone submit planning applications throughout the Country and 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 Draft Charging Schedule acknowledges the differences in viability between the different areas of Bradford. This is an approach which has been implemented successfully across several Local Planning Authorities and one which we generally support. The Charging Schedule does not however 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 Charging Schedule appears not to acknowledge the very specific viability issues associated with such specialist accommodation for the elderly.

There is an increasing consensus that specialist accommodation for the elderly should not be viewed as an oversight or 'casualty' of the CIL regime. This is being borne out via an increasing number of Local Authorities providing separate rates for the different models of specialist accommodation for the elderly and an increasing level of scrutiny from Planning Inspectorate during the Examination of CIL Charging Schedules. Indeed the Bradford MBC CIL viability evidence is one of a limited number which we have reviewed in the past 12 months which does not appear to test the viability of specialist housing.

The Retirement Housing Group (RHG), a consortium of retirement housing developers and managers from the private sector and housing associations, 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.

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.

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

### **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. These figures have been accepted by a number of Local Authorities and Viability consultants as robust and we have successfully defended them in a number of Examinations to date – for example the Tandridge and Bath and North East Somerset.

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. As a result of this typical sales and marketing fees for specialist accommodation for the elderly are often closer to 6% of GDV.

### **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 £200,000.

### **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 m<sup>2</sup> 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.

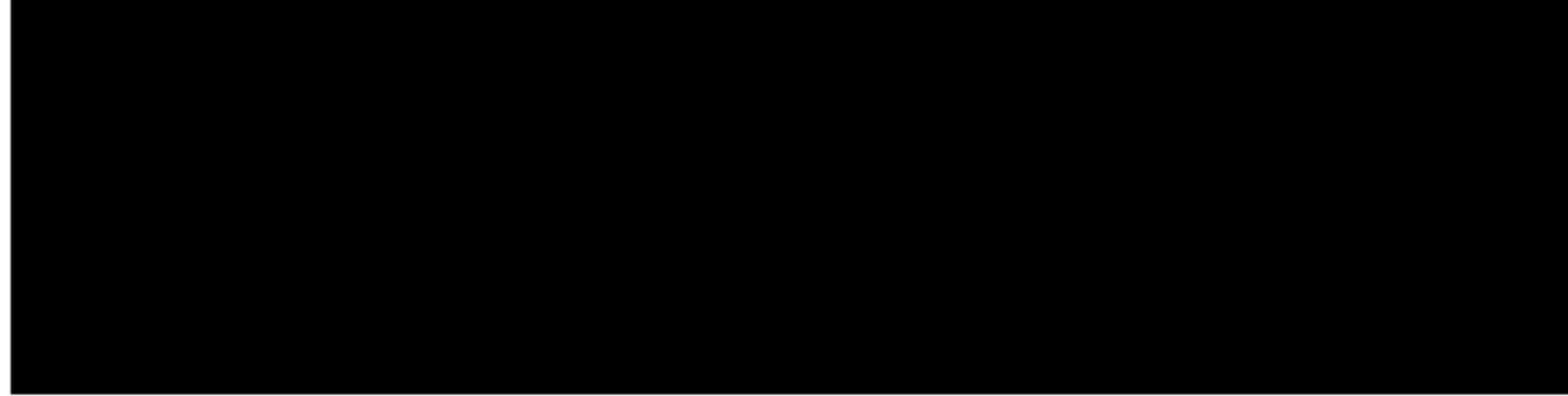
While the BCIS figures are subject to fluctuation it is our experience that specialist accommodation for the elderly tends to remain in the region of 5% more expensive to construct than apartments and generally between 15 to 20 % more expensive than estate housing.

### **Summary**

We would therefore respectfully request that the Council tests the viability of specialist older person's accommodation.

Thank you for the opportunity for comment.

Yours faithfully,



Policy Planner  
The Planning Bureau Ltd.

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*Retirement Housing Group –CIL Briefing Note  
McCarthy and Stone Retirement Lifestyles & Churchill Retirement Living- Joint CIL Position Paper*