

[REDACTED] [REDACTED]

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**From:** [REDACTED]  
**Sent:** 28 March 2023 18:06  
**To:** [REDACTED]  
**Subject:** RE: Community Infrastructure Levy Consultation  
**Attachments:** MS response to Main Modifications\_24032023\_letter.pdf; York CIL Charging Schedule Consultation 28.03.23.pdf

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Hi [REDACTED]

Thank you, that is most kind. Please find attached the representations on the Charging Schedule and the Main Modifications to the local plan on behalf of my client, McCarthy Stone.

Kind regards,

[REDACTED]

## The Planning Bureau Limited

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Address: 4th Floor 100 Holdenhurst Road Bournemouth Dorset BH8 8AQ  
[REDACTED]

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**Sent:** 28 March 2023 15:33

**Subject:** RE: Community Infrastructure Levy Consultation

[REDACTED]

Although the closing date has now passed, I understand you have been ill so we will accept your submission to the CIL consultation. Please send as soon as possible.

Thanks

[REDACTED]

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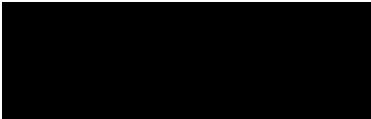
**Fr** [REDACTED]  
**Sent:** 28 March 2023 12:20  
[REDACTED]  
**Subject:** Community Infrastructure Levy Consultation

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Dear Sir/Madam,

I had intended to submit a representation yesterday on behalf of my client McCarthy Stone but I was unable to issue it due to being unwell. Would you accept a late representation if I was able to get this to you tomorrow, please?

Kind regards,



Group Planning Manager

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Strategic Planning Policy Team  
West Offices  
Station Rise  
York  
YO1 6GA

Via email: [REDACTED]

24<sup>th</sup> March 2023

Dear Sirs,

## **RESPONSE ON BEHALF OF MCCARTHY STONE TO THE CITY OF YORK COMMUNITY INFRASTRUCTURE LEVY (CIL) CONSULTATION FEBRUARY 2023**

Thank you for the opportunity to comment on the City of York CIL Consultation. McCarthy Stone is the leading provider of specialist housing for older people including retirement housing and extra care housing. Please find below our comments on the consultation.

We have reviewed the inputs and assumptions used in the financial viability appraisals for older persons' housing in the CIL Viability Assessment (VA) by Porter Planning Economics (December 2022). We are particularly concerned about the methodology and assumptions used in the CIL Viability Assessment which appears to substantially overstates the viability of these forms of accommodation. While we note that the VA has reviewed older persons' housing typologies, we note that some of the inputs do not align with the Briefing Note on Viability Prepared for the Retirement Housing Group (RHG Briefing Note) and for this reason we are concerned that the delivery of retirement and extra care accommodation (on greenfield sites) will be rendered unviable by the imposition of the proposed CIL rates.

We therefore commend the Council on their decision to test the viability of a number of forms of specialist accommodation for the elderly, within both the C3 and C2 land uses classes and for providing a separate levy rate for Retirement/ Extra Care housing on greenfield sites based on this testing. However, the proposal for a levy for Sheltered / retirement accommodation of £100psm and a levy of £100psm for Extra Care accommodation on brownfield sites but no levy for Extra Care accommodation on greenfield sites requires further consideration.

We would ask that if the Charging Schedule is reviewed in future that specialist housing for the elderly is similarly included in any viability reappraisal. It follows too, that if assumptions and the viability assessment are revisited during the Examination process, following submissions from the wider development industry that Retirement/Extra Care Housing must also be revisited.

The emerging local plan states that where development falls within Use Class C3, affordable housing provision will be required. For this reason, Extra Care housing, falling within Use Class C2 is not required to provide affordable housing and the scenarios tested in the VA demonstrate that Extra Care accommodation on Greenfield sites are unviable, however given the land values associated with brownfield sites, without seeing the full appraisals run by Porter Planning we cannot understand how Extra Care accommodation can be expected to remain viable with a CIL charge of £100psqm.

4th Floor, 100 Holdenhurst Road, Bournemouth, Dorset, BH8 8AQ

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Our chief concerns are as follows:

### **Unit sizes**

Apartments for specialist older persons' housing tend to be larger than 'general needs' open market housing.

The 1-bed unit sizes used in the CVA (50m<sup>2</sup>) differ from those recommended in the RHG Briefing Note, which recommends 55m<sup>2</sup> for a 1 bed and 75m<sup>2</sup> for a 2 bed. No justification has been given for this deviation.

### **Sales Values**

The CVA concludes that sales values for retirement living housing is £4,788 per m<sup>2</sup>, which is determined using the RHG methodology. Based on the lack of comparable sales values found by the VA the assumed sales values are considered to be too high.

No detail is provided in respect of sales rates. At present sales rates are on average less than 1 per month and these testing should be factored in.

### **Sales and Marketing Costs**

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, as stipulated in the RHG Briefing note.

### **Build Costs**

The justification for the enhanced levy on older person accommodation are a **fall** in BCIS build costs for these units between Q2 2021 and Q3 2022. This has not been the experience of McCarthy Stone. While the BCIS Build Costs are reporting this fall it is widely accepted that build costs throughout the UK have increased over this period and therefore care needs to be taken to ensure this rise is reflected within the VA.

### **BLV**

A 60-unit retirement living development built at 125dph is presumed to have a Gross site area of 0.5ha in the VA. We accept that the assumed BLVs is an acceptable level for Extra Care and Retirement Housing typologies

### **Profit**

The VA allows for a 20% profit margin, which is in line with the recommendations of the RHG Briefing note, and which we accept is an acceptable level for Extra Care and Retirement Housing typologies.

### **Gross to Net**

The RHG note stipulates a range of communal floor space between 20-30% of GIA for Sheltered and 35-40% of GIA for Extra Care. The VA has included 25% for Sheltered and 37.5% for Extra Care which is considered to be low but within the guidance provided by the RHG Briefing note.

### **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 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. Empty property costs as a result of Council Tax and Service Charge payments are therefore a substantial cost for older persons' housing. For a typical 50 unit McCarthy and Stone Later Living development the Empty Property Costs are on average £3k a unit. For an Extra Care scheme this can be higher as a typical service charge is typically 33% more than retirement apartments.

### **Concluding remarks**

In light of the above, we would suggest that the Council ensure that there is sufficient headroom in the viability of developments and that its policy requirements are robustly tested and the inputs for empty property costs and sales rates in particular are re-evaluated.

Our review of the CIL Viability Assessment notes that the proposed Build Costs are too low, with the proposed sales values being too high.

Of particular concern is the omission of any information on cashflow, notably sales rates and empty property costs.

McCarthy Stone are strongly of the view that it would be more appropriate to set a nil CIL rate for retirement living housing, at the very least on brownfield sites and that Extra Care Housing on Greenfield sites should also attract a nil rate.

This approach accords with the guidance of the PPG which states that:

*'The regulations allow charging authorities to apply differential rates in a flexible way, to help ensure the viability of development is not put at risk. Charging authorities should consider how they could use differential rates to optimise the funding they can receive through the levy. Differences in rates need to be justified by reference to the viability of development. Differential rates should not be used as a means to deliver policy objectives.'*

*Differential rates may be appropriate in relation to:*

- *geographical zones within the charging authority's boundary;*
- *types of development; and/or*
- *scales of development.*

*(PPG Paragraph: 022 Reference ID: 25-022-20230104)'*

McCarthy and Stone wish to be invited to represent their case at Public Examination if the above amendments are not included following this representation.

Yours sincerely,

A solid black rectangular redaction box covering the signature area.A solid black rectangular redaction box covering the name area.