



THE RETIREMENT HOUSING GROUP

COMMUNITY INFRASTRUCTURE LEVY AND SHELTERED HOUSING/EXTRA CARE DEVELOPMENTS

Executive Summary

1. On 17 December 2012 Planning Minister Nick Boles said, *"Imaginative housing schemes for older people can save money for the NHS and social services. They can also make it more attractive for older people to move out of their family homes, thereby helping to meet the pressing housing needs of young families."*
2. However, evidence suggests that there are currently not enough specialised housing options available for these groups, especially for those who wish to own their own home. There are a number of obstacles preventing retirement housebuilders making the contribution they would wish.
3. First, market analysis shows that in many lower priced housing areas, this type of provision is not viable - only an economic and house price recovery will change that, although support in key locations from the £160m capital funding for specialist housing providers from the HCA administered Care and Support Specialised Housing Fund could stimulate delivery where viability is marginal. This seems entirely appropriate, given that HCA say that the main aim of the fund is to support and accelerate the development of the specialised housing market, particularly at a time when the wider economic factors may place limitations on the growth of this market.
4. Second, however, there are regulatory burdens which impact even more heavily on housing for older people than they do on mainstream housing, in areas where its provision would otherwise be viable. Historically, affordable housing has been the principal burden and, if demanded by local authorities at their standard rate for mainstream housing, this can affect viability in those markets.
5. More recently, CIL has emerged as a threat because, just as with affordable housing, many local authorities do not recognise that the additional development costs associated with larger communal and non-saleable areas in retirement housing (e.g. common rooms, laundries, restaurants, guest rooms, manager/warden's office, dining room, special activity rooms are not recoverable in the selling price. Many therefore propose to charge CIL on the same basis as other C3 uses (i.e. as mainstream housing).
6. **This paper highlights the specific problems facing housing provision for older people that are associated with emerging CIL schedules and it proposes that, insofar as there is a solution, it is to create a new Use Class, in addition to C2 and C3, based on the definition of older people's housing, set out in the Annex to the NPPF.** This has previously been proposed by RHG and Ministers are urged to consider it seriously in the context of any further consultation on the Use Classes Order. The attachment of such a definition to a specific Use Class would require local authorities to recognise this important area of specialist housing and to give particular regard to viability issues surrounding it, when setting CIL rates and affordable housing policies. Our earlier paper is attached as an Annex.
7. This paper also illustrates the wide variations in local authorities understanding of the issue, where some accept that schemes designed for older people should be regarded

as C2 and therefore make no charge, or set a lower CIL rate than for C3, while others insist on treating it as C3 and charging CIL at the full rate for mainstream housing. These variations further illustrate the need for a consistent approach based on a new Use Class, to ensure appropriate policies that allow schemes for older people remain viable.

Introduction

8. The Community Infrastructure Levy ("CIL") was introduced under the Planning Act 2008. CIL is not mandatory but after 2014, local authorities cannot pool s106 contributions from 5 or more schemes. A large number of local authorities (LAs) are preparing CIL charging schedules or have indicated their intention to do so. After a slow start increasing numbers of Councils are moving towards adoption of their CIL charging schedules. In parallel with this local authorities are having to ensure that they have up-to-date Development Plans – a mandatory requirement for the adoption of CIL.
9. It is understood that the Government is becoming increasingly concerned at the CIL levels being set by LPAs and the impact this could have on housing delivery. For example, and taking a typical 50 unit scheme, the levy would be:
 - Newark & Sherwood (adopted CIL) - £295,600 (urban) £403,100 (rural)
 - Shropshire (adopted CIL) - £215,000 (urban) £430,000 (rural)
 - Redbridge (adopted CIL) - £376,250
 - New Forest (draft CIL) - £430,000
 - Poole (adopted CIL) – £1,134,125 (high value area) £403,100 (lower value area).

The issues

10. Apart from the obvious issue that the imposition of CIL rates such as those highlighted above will have on the delivery of much needed housing, there is a serious concern at the inconsistencies that are emerging in the setting of CIL rates around the country. Thus, between high value and low value areas there are wide differentials that cannot be explained by differing values. In many instances there is no obvious correlation between house prices (which are by far the biggest factor impacting on viability) and CIL charges. As an example, those authorities who have set CIL above £200 Mid Sussex, Bracknell and Surrey Heath are all high house price areas but so are for instance Oxford, Sevenoaks and Wycombe all of which have proposed CIL rates below £200 per sq m. Durham which has also proposed a top rate of CIL of over £200 per sq m has median house prices which are relatively low although probably there are some very high value areas in the City of Durham itself.
11. This differences may be linked to the affordable housing target set (e.g. if two authorities with similar house prices have affordable housing targets of 25% and 40% respectively this should be reflected in a difference in the CIL rate set, with the authority with the higher affordable housing target setting a lower CIL). By way of illustration Bracknell Forest (a high charging CIL authority) seeks 25% affordable housing, whilst Wycombe and Oxford (lower charging CIL authorities) seek 30-40% of total bedspaces and 50% affordable housing respectively.

Housing for Older People

12. A second inconsistency relates specifically to the delivery of housing for older people. The Coalition Government's reforms have highlighted the importance of planning for better housing options for older people. The challenge is delivery.

13. In common with their approach to planning policy, the majority of LPAs tend not to differentiate specialist accommodation for older people from general needs housing and therefore are applying the same CIL rate to both. This is clearly wrong for a number of reasons. First, different viability considerations will apply such as the amount of saleable area, service charges, extended sales periods etc. There is not a level playing field between sheltered providers and house builders. Secondly, much of the infrastructure intended to be funded by CIL does not apply to older person's accommodation – play space, education etc.
14. Few of the Viability Appraisals undertaken by outside Consultants include specific consideration of C3 retirement housing. One which does is the Oxford July 2012 updated viability appraisal which included specific consideration of a 61 unit sheltered housing scheme and concluded that this could support a CIL payment and saw no reason to set a lower rate to that of normal housing. Conversely in both Mid Bedfordshire and Sheffield the Viability Studies concluded that sheltered housing would not be viable if it had to pay CIL. BNP Paribas in its study specifically states:
15. *Development of retirement housing differs from mainstream residential development in two main ways. Firstly, the net to gross area falls from around 85% for a standard residential scheme to 70%, due to the need to provide communal space and facilities. Secondly, the sales rate tends to be slower, due to the more limited market in comparison to standard residential. Our appraisals of a 50 unit flatted development indicate that these two factors would result in a negative residual land value....'*
16. This contrasts with Plymouth City Council whose Viability Assessment was prepared jointly with GVA Grimley was silent on the issue of specialist housing for older people. Despite evidence put to the Inspector by McCarthy and Stone and Tetlow King the Inspector examining the CIL Charging Schedule concluded:
17. *'PCC agrees that retirement housing schemes may have different viability characteristics to other forms of housing. However, the availability of communal areas and other facilities within retirement schemes is likely to be reflected in the purchase price of the individual units. Thus the amenity afforded by such areas contributes towards higher development values which provide the capacity to meet the proposed CIL charge. Furthermore, where there are abnormal and higher build costs because of, for example, location on brown field sites, the developers of housing for the elderly are no different from those of other market housing. Such costs would not necessarily translate into a reduced capacity to pay CIL, since developers can be expected to take full account of such costs in the price they pay for the land.'*
18. Viability Appraisals tend to have a generic format and from research carried out it is only those prepared by BNP Paribas which concludes that:
19. *"Care homes, Extra Care housing and other residential institutions are unlikely to be sufficiently viable to absorb any CIL contributions."*
- "Extra Care Housing falls within Class C3 in the Use Classes Order, it is recognised that it has a significantly different viability considerations to standard residential dwellings (or even standard care homes). These arise due to the lower gross to net ratio of developments (due to the need for communal facilities), and the additional time that it takes to sell the accommodation due to the restricted market for that type of unit.*
- "In our experience Extra Care Housing Schemes have gross to net floorspace ratios of between 55% and 60% due to the additional communal areas.*
- "It is therefore considered that the viability of Extra Care Housing is very different*

from standard C3 housing and care homes, and our calculations show that they would be unable to absorb a CIL tariff.

"Our appraisals of retirement housing (i.e. a McCarthy and Stone type development, where residents have their own flat or house and buy in additional services and support as required) indicate that such developments are unlikely to generate positive residual land values. Our appraisals assume a 70% gross to net ratio, accounting for additional common areas required in such developments. This factor, along with a slower sales rate, combine to adversely affect viability."

(East Northamptonshire Council)

20. Notwithstanding this East Northamptonshire's Preliminary Draft Charging Schedule does not differentiate Extra Care or retirement housing when setting rates.
21. Although there is no requirement in the CIL Regulations to relate rates to specific use classes, in all instances LPAs will apply a range of charges to residential development within Class C3. In only the above two cases does an authority differentiate the CIL rate charged between ordinary residential development and specific development for older people. The same CIL rate is, therefore being applied to all traditional sheltered accommodation as will apply to all other forms of residential development throughout the majority of the country.
22. CIL charges are based on the floor area of the proposed development regardless of whether it is saleable or non-saleable. A typical block of C3 residential apartments will have 16% of non-saleable floor space whereas this increases to 21% for sheltered and 34% for extra care. This immediately puts providers of accommodation for older people at a disadvantage to general house builders unless the premiums that can be charged for apartments fully compensate for the cost of communal and non-saleable floor space. In practice this is not generally possible and therefore there is not a level playing field. The other typical characteristics of specialist accommodation such as highly sustainable locational requirements, and longer sale period targeted to a limited market, and higher than normal service charges also impact on viability. As an aside the Regulations preclude service charges being taken into account in assessing viability.
23. A typical CIL rate throughout the country is £108/m². Translated into reality and taking for comparison a sheltered housing scheme of 70 apartments or extra care scheme of 53 apartments and a general needs flatted scheme of 80 dwellings in a similar sized building gives a charge of £623,700 applied to each of the schemes. Previously an average S106 charge of £7,000 per dwelling would have yielded £490,000 for the retirement housing scheme, £370,000 from the extra-care scheme and £560,000 for the general needs scheme. So CIL increases the burden of regulation on specialist older persons housing when compared with general needs schemes.
24. A further issue relates to older persons' accommodation developments such as Extra Care not within Class C3. None of the charging schedules address this increasingly important housing choice for older people. Some refer to developments within Class C2 and others refer to residential institutions (which by definition would fall within Class C2).
25. Representations have been made by RHG and others that accommodation for older people should be dealt with separately to other forms of residential development in a new use class, based on the definition of housing for older people contained in the Annex to the NPPF. These representations and the issue behind them are recognised in *Housing our Aging Population: Plan for Implementation (HAPPI2)* produced by the All Parliamentary Group on Housing and Care for Older People in November 2012.

With the exception of one or two instances where LPAs have been persuaded that C2 should be nil rated, no authority has, to date, recognised the financial impact CIL will have on the delivery of accommodation for older people.

Conclusions

26. It follows from the above that the providers of accommodation for older people will continue to be blighted by arguments with LPAs on the C2/C3 issue not only in respect of the application of affordable housing policy but now on the added burden of CIL. This once again heightens the need for the government to act on the recommendation of the HAPPI2 report and to recognise the issue and address it in the review of the Use Classes Order.
27. The government's approach to CIL and the way that LPAs are applying it, creates a dichotomy by seriously threatening the provision of accommodation for older people. On the one hand CIL will assist in the government's objective of deficit reduction but on the other it will inhibit economic growth brought about through development. It also runs contrary to government policy as articulated in the NPPF of delivering housing to meet the needs of older people. CIL is a very real threat to the delivery of housing particularly in the current economic climate and for the foreseeable future.
28. At the very least what is needed in a consistent approach across the country and a recognition of the particular nature of specialist housing for older people in the context of viability and delivery. What would, however, go a long way to resolving the situation is the removal of retirement housing and Extra Care from Class C3.

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for the Retirement Housing Group

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