

Chichester CIL Addendum to the response to examiners question 12

ASSISTED LIVING

Introduction

1. We have been provided within an examination statement on behalf of McCarthy & Stone and Churchill Retirement Living (referred to hereinafter as 'the Respondent') which comments on Chichester (the Council)'s planning policy for housing for older people and the residential Community Infrastructure Levy (CIL) charges proposed in the emerging Chichester District Council CIL.
2. The purpose of this additional analysis is to consider the potential for setting a CIL charge against specialist elderly housing in light of the comments made by the Respondent.

The Role of Housing for Older People in the Local Plan

3. The Respondents have drawn attention to the role that specialist accommodation for the elderly plays in meeting housing needs in the authorities Local Plan Key Policies Document

'Older persons' housing: The growing older population (particularly in the oldest age groups) is likely to lead to a significant increase in the requirements for specialist accommodation. There is also evidence of under-occupation of larger homes in both the affordable and market sectors, particularly within the rural area. The Council will support the delivery of housing for older persons including Lifetime Homes, sheltered, and extra-care housing where it meets identified needs and does not conflict with other priorities. Sheltered and extra-care housing will be expected to provide both market and affordable housing on-site in line with Policy 34.'

4. Both PBA and the Council are in agreement that the provision of specialist accommodation for the elderly is important in an area of ageing population and should be addressed. We have taken this into consideration and have re-assessed development viability for this specialist end use.

Verification of Development Viability

5. The statement from the Respondent discusses the uniform CIL levy rate which has been adopted by the PDCS, which does not currently differentiate between houses/flats and specialist accommodation for the elderly (including sheltered/retirement housing and Extra Care accommodation).
6. PBA has reviewed the results of its viability testing and has revised some of the residential viability appraisals to more accurately reflect specialist elderly accommodation development in the Chichester area. The principle differences in the appraisals for this type of development compared to standard Further to this PBA has made additional allowances for the following:
 - We have made allowances for more generous gross to net ratios in order to take account of the additional space required in elderly accommodation for (for example) communal areas and health / warden areas as well as potentially visitor accommodation;
 - We have adjusted the density to 130dph from 100 based on comparable retirement living schemes

- We have increased the values by circa 10% from market flats based on comparable evidence in the area south of the National Park. This evidence supports the proposition that retirement living commands a premium in the market in many areas. The adopted values in the area north of the national park remain unchanged. The revised sales values and blended affordable housing transfer rates are

Zone	Private Retirement Living Housing	Affordable Retirement Living Housing
South of National Park	£3,950m2	£2,200 m2
North of National Park	£4,600 m2	£2,300 m2

- We have included income from ground rents and capitalised the cashflow at 5.25%
- Externals have been reduced to 10% to reflect the higher density on such schemes
- We have allowed for additional empty property running costs; and
- We have taken into account that the vast majority of elderly accommodation in the Chichester District context will be flatted accommodation.

Viability Conclusion

7. Taking the above into account our viability analysis shows that development viability for specialist elderly flatted accommodation (assuming current values and current costs) is viable and capable of meeting the standard charge and other policy costs as illustrated in table 1.1 below:

Retirement living - South of National Park

Ref	Zone	Site area Ha	Chargable Floorspace Sq m	Residual land value		Benchmark land value		Overage (CIL Ceiling)	
				Per ha	Per sq m	Per ha	Per sq m	Per ha	Per sq m
	Chichester	0.46	2300	£3,962,533	£793	£2,830,000	£566	£1,132,533	£227

Retirement living - North of National Park

Ref	Zone	Site area Ha	Chargable Floorspace Sq m	Residual land value		Benchmark land value		Overage (CIL Ceiling)	
				Per ha	Per sq m	Per ha	Per sq m	Per ha	Per sq m
	Chichester	0.46	2300	£6,215,784	£1,243	£4,120,000	£824	£2,095,784	£419

Recommendation

8. PBA recommends that the Council does not vary the standard charge for retirement living from the standard charge of £120 perm2 in the area south of the national park and £200 per m2 in the zone north of the national park.

Appendix A Chichester Retirement

Chichester Retirement South of NP

Peter Brett Associates

Development Appraisal

Generic

Report Date: 22 April 2015

Prepared by PBA

Summary Appraisal for Phase 1

REVENUE

Sales Valuation	Units	m²	Rate m²	Unit Price
1 bed	26	1,369.16	£3,950.00	£208,007
2 bed	13	930.28	£3,900.00	£279,084
1 bed affordable	12	631.92	£2,200.00	£115,852
2 bed affordable	<u>5</u>	<u>357.80</u>	£2,200.00	£157,432
Totals	56	3,289.16		

Rental Area Summary

	Units	m²	Rate m²	Initial MRV/Unit
1 bed	38	2,001.08	£9.40	£495
2 bed	18	1,288.08	£7.69	£550
Lodge manager	<u>1</u>	<u>71.56</u>	£174.78	£12,507
Totals	57	3,360.72		

Investment Valuation

1 bed				
Current Rent	18,810	YP @	5.2500%	19.0476
2 bed				
Current Rent	9,900	YP @	5.2500%	19.0476
Lodge manager				
Current Rent	12,507	YP @	5.2500%	19.0476

GROSS DEVELOPMENT VALUE

11,998,744

Income from Tenants

1 bed			15,675	
2 bed			11,550	
Lodge manager			14,591	
				41,816

NET REALISATION

12,040,560

OUTLAY

ACQUISITION COSTS

Residualised Price (0.45 Ha £3,962,533.32 pHect)			1,783,140	
Stamp Duty		4.00%	71,326	
Agent Fee		1.00%	17,831	
Legal Fee		0.70%	12,482	
				1,884,779

CONSTRUCTION COSTS

Construction	m²	Rate m²	Cost	
Lodge manager	96.87	£1,168.00	113,148	
1 bed	1,853.47	£1,168.00	2,164,856	
2 bed	1,259.35	£1,168.00	1,470,918	
1 bed affordable	855.45	£1,168.00	999,164	
2 bed affordable	484.36	£1,168.00	565,738	
Totals	<u>4,549.51</u>		<u>5,313,823</u>	5,313,823

Contingency		5.00%	190,346	
External Works section 106		10.00%	531,382	
			58,000	
				779,728

PROFESSIONAL FEES

Professional Fees		8.00%	304,554	
				304,554

MARKETING & LETTING

Empty Property Cost			139,000	
				139,000

APPRAISAL SUMMARY**PETER BRETT ASSOCIATES****DISPOSAL FEES**

Sales Agent Fee		3.00%	278,235	
Sales Legal Fee	56.00 un	600.00 /un	33,600	
				311,835

Additional Costs**FINANCE**

Debit Rate 7.000% Credit Rate 1.000% (Nominal)

Land			147,291	
Construction			180,486	
Other			939,279	
Total Finance Cost				1,267,055

TOTAL COSTS**10,000,774****PROFIT****2,039,786****Performance Measures**

Profit on Cost%	20.40%
Profit on GDV%	17.00%
Profit on NDV%	17.00%
Development Yield% (on Rent)	0.41%
Equivalent Yield% (Nominal)	5.25%
Equivalent Yield% (True)	5.43%
IRR	(42.87)%
Rent Cover	49 yrs 6 mths
Profit Erosion (finance rate 7.000%)	2 yrs 8 mths

Gross Sales

5,408,182
3,628,092
1,390,224
787,160
11,213,658

Net Rent at Sale	Initial MRV
18,810	18,810
9,900	9,900
<u>12,507</u>	<u>12,507</u>
41,217	41,217

358,286

188,571

238,229

785,086

Chichester Retirement North of NP

Peter Brett Associates

Development Appraisal

Generic

Report Date: 22 April 2015

Prepared by PBA

Summary Appraisal for Phase 1

REVENUE

Sales Valuation	Units	m²	Rate m²	Unit Price
1 bed	26	1,369.16	£4,600.00	£242,236
2 bed	13	930.28	£4,600.00	£329,176
1 bed affordable	12	631.92	£2,300.00	£121,118
2 bed affordable	<u>5</u>	<u>357.80</u>	£2,300.00	£164,588
Totals	56	3,289.16		

Rental Area Summary

	Units	m²	Rate m²	Initial MRV/Unit
1 bed	38	2,001.08	£9.40	£495
2 bed	18	1,288.08	£7.69	£550
Lodge manager	<u>1</u>	<u>71.56</u>	£174.78	£12,507
Totals	57	3,360.72		

Investment Valuation

1 bed				
Current Rent	18,810	YP @	5.2500%	19.0476
2 bed				
Current Rent	9,900	YP @	5.2500%	19.0476
Lodge manager				
Current Rent	12,507	YP @	5.2500%	19.0476

GROSS DEVELOPMENT VALUE

13,638,866

Income from Tenants

1 bed			15,675	
2 bed			11,550	
Lodge manager			14,591	
				41,816

NET REALISATION

13,680,682

OUTLAY

ACQUISITION COSTS

Residualised Price (0.45 Ha	£6,215,784.15 pHect)		2,797,103	
Stamp Duty		4.00%	111,884	
Agent Fee		1.00%	27,971	
Legal Fee		0.70%	19,580	
				2,956,538

CONSTRUCTION COSTS

Construction	m²	Rate m²	Cost	
Lodge manager	96.87	£1,168.00	113,148	
1 bed	1,853.47	£1,168.00	2,164,856	
2 bed	1,259.35	£1,168.00	1,470,918	
1 bed affordable	855.45	£1,168.00	999,164	
2 bed affordable	484.36	£1,168.00	565,738	
Totals	<u>4,549.51</u>		<u>5,313,823</u>	5,313,823

Contingency		5.00%	190,346	
External Works section 106		10.00%	531,382	
			58,000	
				779,728

PROFESSIONAL FEES

Professional Fees		8.00%	304,554	
				304,554

MARKETING & LETTING

Empty Property Cost			164,000	
				164,000

APPRAISAL SUMMARY**PETER BRETT ASSOCIATES****DISPOSAL FEES**

Sales Agent Fee		3.00%	324,470	
Sales Legal Fee	56.00 un	600.00 /un	33,600	
				358,070

Additional Costs**FINANCE**

Debit Rate 7.000% Credit Rate 1.000% (Nominal)

Land			231,046	
Construction			180,486	
Other			1,073,832	
Total Finance Cost				1,485,363

TOTAL COSTS**11,362,075****PROFIT****2,318,607****Performance Measures**

Profit on Cost%	20.41%
Profit on GDV%	17.00%
Profit on NDV%	17.00%
Development Yield% (on Rent)	0.36%
Equivalent Yield% (Nominal)	5.25%
Equivalent Yield% (True)	5.43%
IRR	(42.74)%
Rent Cover	56 yrs 3 mths
Profit Erosion (finance rate 7.000%)	2 yrs 8 mths

Gross Sales

6,298,136
4,279,288
1,453,416
822,940
12,853,780

Net Rent at Sale	Initial MRV
18,810	18,810
9,900	9,900
<u>12,507</u>	<u>12,507</u>
41,217	41,217

358,286

188,571

238,229

785,086

Appendix B Chichester retirement living comparables

Address	Description	Size	Asking Price	Sale Price	Sale Date	£ Rate per m2	Comments
Second hand stock							
Byron Court 39 Stocksbridge Road PO19	2 bed	69	277500			4,021	Built 2004
1 Byron Court 39 Stocksbridge Road PO19	2 bed	69		£ 295,000	Jan-15	4,275	Built 2004
61, Byron Court, Stockbridge Road, Chichester, West Sussex PO19 8ES	2 bed	69		£ 273,000	Jul-14	3,956	Built 2004
1 St Richards Lodge, 91 Spitalfield Lane, Chichester, PO19 6SJ	1 bed	56		£ 180,950	Apr-14	3,231	Built 2009
8 St Richards Lodge, 91 Spitalfield Lane, Chichester, PO19 6SJ	2 bed	65		£ 235,000	Oct-14	3,615	Built 2009
36 St Richards Lodge, 91 Spitalfield Lane, Chichester, PO19 6SJ	2 bed	65		£ 269,650	Apr-12	4,148	Built 2009
New Build asking prices							
Morgan Court GU28 Peyton)	1 bed	56	210000			3,750	Under constuction -50% reserved
Morgan Court GU28 Peyton)	2 bed	65	299000			4,600	Under constuction -50% reserved
GU29 St Margerets Way, Midhurst	1 beds	56	£220,000-259,000			4,014-4,625	Selling off plan
	2 beds	69	£325,000-£380,000			4,710-5,507	
PO 20 107 Havant Road, Drayton (Portsmouth)	1 bed	56					Under constuction - available off plan summer 2015
	2 bed	69					Under constuction - available off plan summer 2016
Foxmead Court, Storrington (West Sussex - edge of national park)	1 bed	57	297000			5,210	under construction - 80% sold /reserved
	2 bed	79	369000-421000			4,670-5,329	under construction - 80% sold /reserved
Woolgate Place, Chichester	1 bed						under construction - due for completion summer 2015
	2 bed						under construction - due for completion summer 2016