



## **Purbeck Community Infrastructure Levy Charging Schedule**

### **Examination**

#### **Statement on behalf of Purbeck District Council**

**Hearing date: Tuesday 8 October 2013 – 2pm**

#### **Issue 3 – Levy Rates on Use Classes C2 and C3: Care Homes and Sheltered and Retirement Housing**

- 3.1 Are the rates for Use Classes C2 and C3 reasonable and realistic in relation to an appropriate balance between helping to fund new infrastructure and the potential effects on economic viability?
- 3.2 The Council's Statement of Modifications in relation to C2 and C3 uses is significant and potentially far reaching. Are the reduced rates of £100/sqm in Swanage/the Coast and £30/sqm in Wareham/ Purbeck Rural Fringe justified?

## Introduction

1. This statement considers all the issues within Matter 3

## Statements of Common Ground

2. No Statements of Common Ground have been submitted in relation to this Matter.

## Council Response

3. Each issue raised by the Examiner is considered in turn below:

3.1 Are the rates for Use Classes C2 and C3 reasonable and realistic in relation to an appropriate balance between helping to fund new infrastructure and the potential effects on economic viability?

4. The Council in the absence of available evidence, has set the C2 and C3 retirement/sheltered housing rates at a lower rate than C3 residential development. This is in response to concerns from McCarthy & Stone and Churchill Living (2607). They chose not to object to these lower rates in the Statement of Modifications, but they have criticised the C3 lower rates in their revised statement requested by the Examiner. Since the Council made these changes in the Statement of Modifications new evidence has come to light which questions whether the Council were right to lower the C3 rates in the Swanage and the Coast sub-markets. It is likely that there will only be a handful of these types of developments, so the potential loss of CIL monies will not be significant. We cover this in more detail in 3.2.
5. We are generally concerned at what might be considered a sleight of hand being employed here by McCarthy and Stone and Churchill. Andrew Golland Associates Addendum Report (CD 34) clearly states that Care Homes should be treated more sensitivity than mainstream Sheltered Housing. Andrew Golland Associates conclusion was not, as implied by the Planning Bureau's letter of 9<sup>th</sup> August, that Sheltered Housing be exempted from CIL.

3.2 The Council's Statement of Modifications in relation to C2 and C3 uses is significant and potentially far reaching. Are the reduced rates of £100/sqm in Swanage/the Coast and £30/sqm in Wareham/ Purbeck Rural Fringe justified?

6. As set out above, the Council's revised C3 - sheltered and retirement housing rates are based on evidence provided by McCarthy & Stone and Churchill Living (2607). They submitted data which suggested higher build costs but similar sales prices. Although this may be the case in some instances, this is generally not so. We have a number of queries about that evidence as presented in their statement to the examiner dated 9 August 2013 as follows:
  - They do not include a worked example that is line with policy requirements (50% on site affordable housing and £100/£30 CIL rates (as modified)). On-site delivery of affordable housing is a fundamental policy requirement due to the shortage of potential sites in Purbeck;

- The total build costs of their example scheme appear to be a £1,056,171 higher than a simple calculation of their build costs per sqm (£1,010) multiplied by their total net internal area (2,440 sqm). Our calculation is £2,464,400 whereas in the examples it is quoted at £3,520,571;
  - Their average property prices are about a third lower than an equivalent second hand McCarthy and Stone property currently advertised for sale in Swanage at £285,000 (see appendix 1);
  - We query why they have included empty property holding cost of £220,000 and Stamp duty of £31,328?
  - The total capital annualised ground rent is only included for the first year. It will also apply for every subsequent year (£257,143), which would presumably include developer profit margins in addition to the 20% developer profit quoted for year one;
  - If on-site affordable housing had been included this would generate an annual payment from the registered social landlord or an upfront capital return. This compares to their scenario of outlaying £2,120,000 for an off-site commuted sum; and
  - Marketing costs seem excessive at 6% compared to an average of 3%, as set out in the 3 Dragons Toolkit.
7. Furthermore their current site (Shore Road, Swanage) commands seaside views and will sell for premium. We would expect that the sales prices on this premium site would far exceed the average for Swanage generating significant residual values. We would expect market sales values to command at least £285,000 of a similar McCarthy & Stone second hand property nearby. In addition they will not be providing any affordable housing as the site has an existing permission. There appears to be little justification for the Council lowering the CIL rates on this particular site.
8. The Council took a simplistic approach to reducing the levy on Care Homes and Sheltered/Retirement housing by using existing rates but applying the next rate down in the hierarchy of standard residential development.
9. A McCarthy and Stone two bedroom retirement flat is currently on the market for £285,000 in De Moulham Road, Swanage. Andrew Golland Associates 3 Dragon toolkit (CD32) sets the value of an average 2 bed flat in Swanage at £225,000, which tallies with other non-luxury flats, e.g. Waverley Court , Victoria Avenue at £225,000 and Suncliffe Court, Burlington Road at £255,000 including a beach hut (usually valued at around £30,000). Details of these properties are attached as Appendix 1. Currently the average price of a 2 bed flat in BH19 is £251,052 (Zoopla 10/09/13).
10. We have run McCarthy & Stone's scenario for Swanage through the 3 Dragon toolkit and these are set out in Appendix 2. We attempted 3 scenarios as follows:

- 50% affordable housing on-site at McCarthy & Stone property prices. Residual value after CIL is £56,000;
- 50% affordable housing on-site at 3 Dragon toolkit average prices. Residual value after CIL is £726,000;
- 50% affordable housing on-site at current advertised property prices. Residual value after CIL is £1,508,000;

This shows how crucial the sales price is to the viability of the scheme.

11. We would like the Examiner to raise these queries with McCarthy & Stone, to enable the Council to be able to justify the lower rates proposed in the Statement of Modifications. Without any evidence for C2 development the Council does not query its' revised rates.
12. Generally, house builders profits are currently performing very well. Record profits are reported for some house builders. Generally retirement housing has shown better than average returns. In some years, supernormal profits have been recorded by this sector.
13. It is accepted that some sites will not deliver community benefits. There is however a buffer to deliver CIL; this lies in affordable housing. The retirement sector is profitable, on many occasions will buy sites with relatively low existing use values. It is not unreasonable to require a CIL for this sector.

**Suggested changes for the Examiner to consider**

14. The Council may wish to alter its' CIL rate for C3 retirement/sheltered housing, subject to the response provided by McCarthy & Stone to this statement.