

# North Somerset Council Community Infrastructure Levy (CIL) Charging Schedule Examination

## North Somerset Council response to CIL further submissions on C2/C3/extra care housing

24<sup>th</sup> March 2017

Response to:

- MF4: Note on definition of **C3 extra care housing** and viability implications (Pegasus on behalf of Anchor).
- MF6: **Definition of C2 specialist housing** and viability implications and MF7: Note on the Corby CIL Report regarding C2 housing and examples of providers avoiding areas with a positive CIL charge (Tetlow King on behalf of the SW HARP).

### Introduction

The CIL Regulations 2010 are clear that

*“Differences in rates need to be justified by reference to the economic viability of development.”*

It is on this basis that NSC has assessed the need for differential rates.

This note seeks to take into account the comments on C2/C3/extra care housing provided by Pegasus and Tetlow King. By looking across the various submissions and our own evidence and experience we seek to provide a definition based on areas of common ground.

We have then carried out additional viability testing, taking account of the differentiating factors suggested by the other parties (even where these are not agreed by NSC). Our conclusions and proposals are provided at the end of the document.

### Defining C2 and C3 use classes

There are three potential categories of housing under discussion on this issue:

#### **1) C3 use class ‘general’ housing for older people and sheltered housing schemes:**

We have seen no evidence either in relation to CIL or more generally in our experience in North Somerset and beyond to justify a differential rate for such housing. Although elements of build costs may be higher than some other housing schemes, this is within the normal range of variation for the C3 use class. As noted in the Council’s previous submissions, they are also offset by other more positive factors shaping viability, such as higher scheme density, lower external works costs, lower residual S106 and higher sales values. We have provided evidence that in recent North Somerset schemes the sales values are typically between £500 – 900 per sqm higher than equivalent non-specialist housing in the local area. DSP have provided a sample scenario test taking account of the assumptions that might apply to such a scheme and this has shown strong viability. Please see examination documents [E10](#) and [E11](#).

#### **2) “C3 extra care”**

The distinction between C2 “use for the provision of residential accommodation and care to people in need of care (other than within class C3 (dwelling houses))” and C3 ‘extra care’ is recognised as highly problematic.

This topic has been the subject of extensive discussion nationally as well as in this examination – the following are a sample of the articles and studies available:

- Guidance from South Oxfordshire Council:  
[http://www.southoxon.gov.uk/sites/default/files/SODC\\_25.pdf](http://www.southoxon.gov.uk/sites/default/files/SODC_25.pdf)
- Article by the Housing, Learning and Improvement Network (LIN):  
[http://www.housinglin.org.uk/assets/Resources/Housing/Support\\_materials/Viewpoints/Viewpoint\\_20\\_Planning\\_Use\\_Classes.pdf](http://www.housinglin.org.uk/assets/Resources/Housing/Support_materials/Viewpoints/Viewpoint_20_Planning_Use_Classes.pdf)
- Article in Building.co.uk: <http://www.building.co.uk/cost-model-extra-care-housing/5071124.article>

Additionally, NSC has experience of a 51-unit extra care scheme at Slade Road in Portishead, which was ruled at appeal to be C2 use class. The Inspector’s decision notice was submitted as Examination Document [MF8](#).

The appeal was contested on the basis that the developer argued that the development should be classified as C2 use class and thereby exempted from affordable housing contributions. NSC argued that the apartments concerned represented individual dwellings and should be liable to contribute. Given the Inspector’s decision and the range of issues considered, we are not clear whether a category of ‘C3 extra care’ housing exists or if so, what it comprises.

Pegasus on page 3 of MF4 offer a list of characteristics that may be identified within ‘C3 extra care’ housing. The direction of Pegasus’s argument is slightly confusing, but in our reading their suggestions *support* a position that ‘C3 extra care housing’ should not be differentiated from other forms of C3 housing for older people or made subject to differential charges:

Pegasus characteristic	NSC comment
Extra care is by definition “housing”.	Provides no reason for differentiation from other housing.
A fundamental building block is self-contained dwellings – flats, bungalows, cottages...	This distinguishes ‘extra care’ housing from residential care home institutions, but does not offer any reason for differentiation from other C3 housing.
The fact that dwellings are clustered together and may be adjacent to leisure and other facilities does not make any different to this being a housing complex.	Agreed.
“It is just a modern form of sheltered housing”.	This supports NSC’s view that there is no case for differentiation.
Most extra care is designed for and let or sold to people who have a range of needs from little or no care to quite high needs. Allocation policies and practice are designed to maintain a balanced community. It is not like a residential care home where everyone has a similar, high level of need from the outset.	Noted and agreed, but does not provide a reason for viability differentiation.
Care is made available on an individual basis using a domiciliary care model where care and support staff come to the person in their own personal dwelling. Staff are not living with the person they look after. This is like anyone else in their own home in a village, town or city.	Accepted, but as per final comment from Pegasus, does not provide a reason for differentiation from someone living in their own home with a visiting care worker. If we accept a nil rate for any houses that might at some point have someone resident in need of care, then almost every dwelling that is built could be eligible!

Pegasus characteristic	NSC comment
A limitation in the lease or tenancy to being over a certain minimum age... does not automatically mean that everyone needs care.	This is confusing and gives no reason for differentiating this type of older peoples' housing from any other.
In traditional sheltered housing (or indeed any ordinary property in the community) it is perfectly possible to receive an individual package of care to allow the person to continue to live independently. The receipt of care in your own home does not make it a "residential institution". C3 uses can include households where care is provided.	As above, provides no basis from differentiating "C3 extra care" from any other housing in which a person is receiving care, including non-specialist housing.

Importantly, Pegasus conclude that their own housing product is C2 use class. **Given this conclusion, the Slade Road appeal decision, and the lack of any proposed *viability* grounds for a differentiation, we see no basis for the creation of a "C3 extra care" category for which there would be differential CIL charging.**

### 3) **C2 use class:**

This use class is defined as:

- Use for the provision of residential accommodation and care to people in need of care (other than within class C3 (dwelling houses)).
- Use as a hospital or nursing home.
- Use as a residential school, college or training centre.

NSC's Draft Charging Schedule is arguably ambiguous in its wording as to when charges would apply to this use class. For the avoidance of doubt, we suggest that the rate for the C2 use class should relate only to the first of these bullet points. The other two uses would fall into the CIL category of 'all other qualifying development' and would be subject to nil rates. This is on the basis of a lack of viability information available on such uses, leaving NSC unable to sustain charges.

#### Defining C2 extra care

The following extracts from the Slade Road Inspector's report appear of particular relevance in defining C2 extra care:

*"I find that the primary purpose of the building as a whole is to provide residential accommodation and care to people in need of care, as the care element is the reason people choose to live there, and is an integral part of everyday life..."*

*...it is necessary to look at the interrelationship between the apartments and the rest of the building, and this goes beyond the physical arrangement, and involves an examination of the use of the separate parts and the building as a whole..."*

*...the provision of care pervades the whole of the development, and this is demonstrated in a number of ways. Occupiers pay for between 2 and 4 hours of personal care per week, whether they need or want it, although the assessment undertaken by MHA prior to occupation is designed to establish that prospective residents are in need of the kind of care offered in a HwC scheme of this type. That charge is significant, typically amounting to £3380 per annum, on top of a service charge of up to £2340 per annum, which I am told is significantly more than would be expected in sheltered retirement accommodation... the cost of the care charge would be likely to deter anyone from seeking to live there who did not need care..."*

*The care provision is reflected in the staffing of the premises. It is anticipated that up to 23 staff (15 full time equivalents) would be employed at the premises, and would include a manager, kitchen staff and care assistants. Care would be provided to residents in a similar manner to a residential care home, including palliative care. There would be a member of staff on duty throughout the night, with access to a senior manager if necessary.”*

This points to three aspects that differentiate such schemes from C3 older peoples’ housing:

- (i) Communal space, both for use by the residents and – perhaps more importantly - required for staff and operational purposes. The latter is potentially a main differential between C3 sheltered housing (where a warden will be on call) as opposed to C2 (where staff are required 24 hours/day).
- (ii) A pre-occupation assessment of residents to confirm that they are in need of care, coupled with a minimum care package of 2 – 4 hours per week.
- (iii) Associated with (ii), significant staffing requirements and 24 hour availability.

These points broadly tally with the comments from both Pegasus and Tetlow King:

*“Extra care accommodation offers **housing with care**, where the care is traditionally an integral element of the accommodation provided... a unit within an extra care development might appear to be self-contained on plan but if it forms part of a wider care-providing complex it may not constitute Use Class C3.” – Tetlow King, MF6, p1 – 2.*

*“A recurring theme in LPA decisions, appeal decisions and court judgements is the degree of care provided to the majority, or all residents. It appears that conditions limiting occupation to those in need of care and support and receipt of a domiciliary care package of at least 2 hours per week are likely to underpin acceptance of a C2 classification... While domiciliary care can be received in sheltered housing, the receipt of care is not a condition of occupation as it may be in extra care schemes. It is the explicit requirement to be in receipt of care as a condition of occupation that can make the difference.” – Pegasus, MF4, p5.”*

It appears therefore that all parties agree that the key requirements relate to the minimum care needs of the occupants.

### **Viability of C2 extra care**

Pegasus and Tetlow King suggest several factors arising from the classifications of C2 extra care that are relevant to development viability.

NSC and DSP do not agree with all of these points and have raised our concerns previously. We do not propose to repeat the arguments in full, but key points were that:

- A focus on individual variables in isolation cannot provide a full picture. The potential variations created by higher build costs, communal space proportion and cashflow may be valid in themselves, but will be offset by other factors such as reduced outdoor space/external works and higher sales values (additional premiums). The description that communal space is “non-saleable”, for example, is a well-used term but is a little misleading – it will effectively be added onto the cost for apartments and/or paid for through service charges.

- Several of the factors listed will be within the range of norms for many types of development and have been taken into account in our viability testing – for example cashflow on apartment blocks.
- Factors relating to staff costs and care services are revenue considerations, funded through the occupation/service fees paid by residents. NSC is sympathetic to the issues faced by many care providers – and it is a problem as well for the council in its service provision – but these are wider commercial issues and *not relevant to an assessment of development viability for CIL* or Local Plan purposes – indeed it would be near impossible to add them into testing.

### Testing of variables

Notwithstanding the concerns detailed above, NSC is keen to ensure a comprehensive evidence base for its CIL rates and that they do not present any excessive burden or unintended consequences for specific sectors.

To inform this and acknowledging the difficulties in respect of the ‘boundaries’ and definition of extra care, further testing looking at an extra care scheme typology has been carried out, with the outcomes detailed in the attached note from DSP (Appendix A). The testing is based on the model created for the 30-unit sheltered housing scheme set out in Appendix A of submission [E10](#), but now adjusted to include the following assumptions:

- Higher build costs: £1,600/sqm as proposed by Pegasus – this is in excess of DSP’s original £1,400/sqm, which lower figure represents BCIS median level costs typically used in site specific testing. Additionally, unit sizes have been increased to reflect characteristics identified in the report by Three Dragons on behalf of the Retirement Housing Group (RHG): “*Community Infrastructure Levy and Sheltered Housing/Extra Care Developments*” (available at: <https://retirementhousinggroup.com/rhg/wp-content/uploads/2016/12/CIL-viability-appraisal-issues-RHG-February-2016.pdf>).
- Net to gross ratio: both Tetlow King and Pegasus agree that more than 25% communal space (including staff space) would be typical in an extra care scheme, as opposed to sheltered housing. Figures of up to 36% are cited but for the purposes of this testing DSP have used 30%, which is cited by Pegasus from the B&NES examination as a “tipping point” in respect of the viability of CIL charges.
- Zero affordable housing – NSC does not require affordable housing from C2 developments. This is a substantive point in viability that has not been adequately acknowledged. The examples of B&NES and Torbay given by Tetlow King and Pegasus as setting nil rates based on viability both require affordable housing from the C2 use class (40% and 20% respectively), increasing the costs significantly.
- Additionally, based on the Retirement Housing Group report cited above, market values have been adjusted to 20% more than sheltered housing (within the 25% noted at page 8 of the RHG report).
- CIL rates at proposed C3 levels, e.g. £40 for Zone B (outer Weston) and £80 for Zone C (rest of district) – however if we accept extra care as C2 use class, then the testing at £80/sqm is overly onerous, as C2 is proposed to be subject to £40/sqm regardless of location.

Other factors have remained unchanged, including for example the £3,000 per dwelling residual S106, which as per previous submissions would be unlikely to be required, at least not in full.

The results of the testing are detailed in the appendix, but in summary show a negative Residual Land Value (RLV) in Zone B (Outer Weston), i.e. with lower values associated with the C3 £40/sqm CIL rate zone, but continued viability and affordability of the charging proposals in Zone

C, even with full £80/sqm rates. A further test with 36% net to gross floor area (communal areas adjustment) in Zone C showed the £80/sqm rates as still viable, but potentially becoming more marginal, particularly for brownfield sites.

As a result of their testing, DSP identify three potential options for NSC:

- Continue charging £40/sqm across all areas as originally proposed, in that rates are viable in Zone C and any negative impacts in Weston are unlikely to be significant in terms of plan delivery.
- A differential approach to charging of extra care according to geographic area, i.e. nil rates for Zones A and B in Weston, but charges as proposed applied to Zone C (they refer to £80/sqm in line with C3 rates their testing, however our original proposal was £40/sqm).
- A nil charge for all C2 extra care, subject to clear criteria.

### **Comments on rates charged in other areas**

NSC is under no obligation to establish rates on the basis of comparability with other areas – indeed it is explicitly required to set rates appropriate to the local area and based on evidence relevant to that area.

A critical point in relation to other areas cited as charging nil rates for extra care, including Torbay and B&NES, is that those areas require affordable housing from C2 developments. This is not the case in North Somerset and is a significant factor in improving viability.

We note the example given by Tetlow King of a C2 scheme in Wiltshire that failed to progress and their comments that in their view the council's CIL charge was a "contributing factor in the postponement of the application." The rate in this case would be £85/sqm as well as 40% affordable housing, but as an isolated example and without further information about the range of other factors involved (site location, size, abnormals, greenfield/brownfield etc) it is hard to comment further.

### **Conclusions**

Taking into account the full range of evidence available to NSC, we propose:

1. There is no case for a reduced or nil rate for any form of C3 specialist housing, whether sheltered or 'extra care'. These must continue to be charged as per any other form of C3 housing.
2. A definition of C2 extra care housing – for the purposes of CIL – as follows:

*“Accommodation available to rent or buy for older people or others in need of care and which meets the following criteria:*

  - *Residents are subject to an assessment of minimum care needs to establish eligibility to buy or lease a property;*
  - *Residents are required to purchase a ‘minimum care package’ as a condition of occupation, to include at least 2 hours of domiciliary care per week focused on the health and social care needs of those residents.*
  - *The development has a minimum non-saleable floorspace in excess of 30% of GIA.”*

If the Inspector feels that amendments to the definition are required, our request is that any resulting definition must be as clear and unambiguous as possible, to avoid dispute later on in the operation of charges.

3. Subject to the above criteria and mindful of State Aid requirements, changes to the CIL rates for C2 extra care as follows:
  - Nil rates for Zones A (Inner Weston) and B (Outer Weston).
  - A continued rate of £40/sqm for Zone C (Rest of District), which is 50% of the standard residential rate and in line with earlier DCS proposals on C2. This reflects a balanced response to the outcomes of DSP's additional testing, which indicated that full £80/sqm rates applied to extra care would be still viable but potentially more marginal on some sites if 'worst-case' higher end assumptions are applied.

Appendix B sets out potential modifications to the Draft Charging Schedule, taking into account also the changes previously proposed for rates to strategic sites. We view this as a 'work in progress' in terms of how the changes are presented and would give full consideration to any views from the Inspector as to how best the different rates could be set out to ensure maximum clarity going forward.

## DSP response notes for NSC re MF4 (23.03.2017)

1. DSP on behalf of NSC has provided evidence to show that, consistent with our previous wide-ranging CIL viability assessments, sheltered/retirement housing development is sufficiently viable to bear the CIL charges as proposed – see Appendix A to the Council’s earlier submission - ‘Response to Participants Hearing Statements’ (21 February 2017).
2. By our understanding, the question the examination is now addressing is whether extra care housing should be treated differently to sheltered / retirement housing in CIL charging terms. This involves considering the characteristics of extra care housing and determining whether, at this level of assessment, development remains sufficiently viable to support the proposed CIL charging rates.
3. We find the Pegasus response unclear overall, but our understanding is that their key thrust is an aim to see extra care housing treated as C2 (rather than included within C3) which would be nil-rated (set at £0/sq. m) for CIL charging purposes.
4. From our assessment perspective, which planning Use Class extra care falls into does not affect its viability. Equally, CIL rates do not need to be set according to Use Class but may be set by reference to intended use. Viability is determined by the strength of the relationship between the development values and costs; just as with the equivalent review of viability in relation to any other form of development proposal. In our experience the “line” between sheltered housing and extra care housing can be very blurred, and the differences in the development characteristics very small. It may be that Pegasus envisage and deal with a more differentiated housing product, but of course there is a range of providers and scheme types; with CIL being an area-wide and therefore a market-wide response to supporting the infrastructure requirements that all forms of development, including these, contribute to.
5. We note that no appraisals or even overview viability figures have been supplied in support of the reduced viability or non-viability claims being made.
6. Comments have been submitted about the use of higher build costs, albeit associated with the Pegasus experience of extra care housing as opposed to typical sheltered housing. For the latter it is common practice by consultants acting for major providers on site-specific viability review cases to use BCIS Median level costs for sheltered housing; as we have used here. As has been noted in previous submissions, it is also important to note that to our base build cost allowance we add 10% for external works (which is an upper end assumption for the scheme type, with many site-specifics based on lower levels as seems consistent with Pegasus’ 8.8%); contingency at 5%; sustainability costs contingency uplift at 2%; additional site preparation/works contingency at £4,000 per apartment; s.106 at £3,000 per apartment in addition to the CIL rate tests. Again as noted previously, a range of other allowances have also been made, reflecting the development type in general compared with the typology of typical open market apartments development. These include the extended sales profile (prolonged development timings) and ‘empty property costs’ pending full occupation.
7. Notwithstanding these points, we have undertaken a further review of our appraisals. This time we have used our sheltered housing scenario tests as a base and adapted those using assumptions not only to reflect the alternative inputs suggested by Pegasus in their MF4 note (‘Viability’ section points 1 and 2), but, as those take a narrow view of assumptions that might move against viability, have also considered other inputs not discussed by Pegasus in relation to the differences between sheltered and extra care housing (e.g. additional premium on sales values, no affordable housing in NSC, different floor areas) as noted in more detail at 8. below.

8. In order to look at the effects – outcomes relative to those seen from the viable sheltered housing starting point – we have made the following trial adjustments (these assumptions may be compared with the table content, again, at Appendix A to the Council’s earlier submission - ‘Response to Participants Hearing Statements’ (21 February 2017)).

- Build cost – reset to £1,600/sq. m (i.e. as per Pegasus’ preferred £1,470/sq. m base plus external works at 8.8% i.e. £130/sq. m). (As per Pegasus’ Viability point 1)
- Net to gross build cost addition – increased to 30% from DSP’s typical sheltered housing 25% factor. This increased level reflects the tipping point referred to and suggested factor for use in definitions by Pegasus.
- Affordable housing removed - consistent with an assumption, for now, that as per Pegasus’ approach this would not be required if the scheme were indeed classified as a C2 use. Clearly this has a significant positive viability influence.
- Unit (apartment) sizes assumed to increase, also in accordance with Retirement Housing Group report<sup>1</sup> – 1-bed (from 55 to 65 sq. m) and 2-beds (from 75 to 80 sq. m).

The above are the base adjustments made, taking a much more complete view of the assumptions set.

- As an additional element we have also increased the market sales values assumptions (now applicable to all units given the “removal” of affordable housing from the test scenario). There are a range of indicators that extra care housing selling for significantly higher prices than sheltered housing. Based on our knowledge from actual schemes experience we would not necessarily agree with all the content of the Retirement Housing Group (RHG) report that was referred to in previous representations, which interestingly considers sheltered and extra care type housing together:

*‘COMMUNITY INFRASTRUCTURE LEVY AND SHELTERED HOUSING/EXTRA CARE DEVELOPMENTS A BRIEFING NOTE ON VIABILITY PREPARED FOR RETIREMENT HOUSING GROUP BY THREE DRAGONS MAY 2013 AMENDED FEBRUARY 2016’* (<https://retirementhousinggroup.com/rhg/wp-content/uploads/2016/12/CIL-viability-appraisal-issues-RHG-February-2016.pdf>)

However, for this exercise and given the use of Pegasus’ limited supply of assumptions, we note that in the above the RHG refer to extra care housing being 25% more expensive than sheltered (page 8 of the above report). Accordingly, taking a view within rather than at this full level of further premium, we have adjusted our sales values assumptions upwards by a more cautious 20%.

9. Retaining all other costs allowances that increase as “products” (i.e. based on percentages) of the higher costs and values assumptions in use for this trial, we produce notional extra care viability outcomes as follows (with the £0/sq. m C3 proposed charging rate for Weston Super Mare not tested):

- RLV £/Ha at assumed outer Weston SM values, with £40/sq. m CIL = £0 (negative RLV) (compared with previously reported sheltered housing outcome, after including affordable housing, at £1.23m/Ha). So the extra care scenario provides a worse outcome than for sheltered housing using assumed outer Weston location and values.
- RLV £/Ha at assumed ‘rest of district’ values with £80/sq. m CIL = £3.6m/ha (compared with previously reported sheltered housing outcome, after including affordable housing, at £3.83m/Ha). This is a broadly comparable outcome with that seen from the sheltered housing scenario, whereby the higher sales values are supporting the higher development costs; a restored value:cost relationship seen compared with that

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<sup>1</sup> Three Dragons on behalf of the Retirement Housing Group: *Community Infrastructure Levy & Sheltered Housing / Extra Care Developments – A Briefing Note on Viability*

from relying on lower sales values, as above. It follows that with a values premium reducing from around 20%, a result increasingly beneath that from the sheltered scenario would be seen, though with notable headroom available still above the suggested most £1.2m/Ha viability test (land value benchmark) meaning that the proposed CIL rate of £80/sq. m remains supportable for extra-care, as now appraised, from a viability perspective in the “rest of district” circumstances.

10. We have not provided additional full appraisal summaries or the like, assuming that a great deal of new information may not be helpful at this stage. However, such information could be made available to the Examiner if required. At the end of this note, we have however tables the main assumptions and outcomes in an equivalent way to that set out at Appendix A to the Council’s 21 February 2017 submission – as noted above.
11. As a result of this exercise our view is that given the compensating factors (principally the likely sales values and lack of affordable housing) the viability outcomes overall are unlikely to be significantly reduced in comparison with those supported by sheltered housing (and therefore in turn by general market apartments) and the indications are, consistent with those, that such schemes will be able to support CIL charging at the rates proposed.
12. The Council does not have to follow the viability findings to the letter and should arrive at an appropriate balance between providing infrastructure and viability. The viability evidence informs this, with no worked figures available from other parties – no viability evidence - to support alternative positions.
13. In any event, if considered within C3, extra care housing would attract a nil (£0/sq. m) charging rate within Weston Super Mare town centre.
14. On further review, and particularly in the absence still of any worked-through evidence to the contrary, DSP is of the view that the following are options available to NSC and the Examiner, noting that in any case sheltered/retirement housing should not be dealt with in the same way and should continue to be treated as per all other forms of C3 market housing development (no differentiation for sheltered in any event):
  - a. Continue with the charging proposals as submitted, on the basis of viability for extra care in the “rest of district” areas attracting higher values, and no overall “harm” to the Plan in any event of any non-viable scheme occurrences (dependent on the Council’s view on overall Plan delivery relevance), or;
  - b. A more complex route, with extra care also nil-rated for the outer-Weston area (i.e. as per inner Weston) but charged as proposed (i.e. at £80/sq. m across the “rest of district” area, supported by the likely significantly better development value:cost relationship there.
  - c. “Place” extra care (subject to meeting certain characteristics / criteria – e.g. similar to those put forward by Pegasus on Page 4 of their 17<sup>th</sup> march letter) with C2, which we understand is now proposed to attract a nil (£0/sq. m) charging rate across the whole district – under modification proposals advanced by the Council.
15. So, while a “continue as proposed” view could be taken, in looking at overall balance and Plan implications, there are perhaps alternatives to be considered. In any event CIL charging rates differentiation should be set by means of viability evidence - related to type, scale or location of development. We are keen to reiterate therefore that this or related papers do not affect the proposed C3 charging positions in respect of sheltered / retirement housing.
16. Supplementary to the above, we can see that the additional costs associated with a greater than circa. 30 – 32% net to gross build cost addition in an extra care scenario would erode the viability position such that the resulting RLV falls towards or potentially beneath our suggested PDL benchmark land value of £1.2m/ha meaning that with £80/sqm CIL rates such developments may only remain viable on lower value former commercial or greenfield

sites. On adjusting the 30% communal area assumption to the 36% mentioned in the particular example noted in Pegasus' 17<sup>th</sup> March 2017 submission, we see the "rest of district" outcome reduce to £1.4m/Ha, so above the £1.2m/Ha test and therefore remaining a viable outcome buy this indicator although acknowledged to be heading towards a more marginal outcome if occurring on PDL (as seems more likely) rather than greenfield.

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DSP summary table of extra care assumptions and output summary:

<b>N Somerset CIL Viability – Additional viability information (post-Hearing session further clarification) 30 no. extra care apartments – 3+ storey block; typical format (May 2016 assumptions basis – DSP, combined with Pegasus 17.03.17 build cost assumption comment)</b>		
<b>Assumption / input</b>	<b>Outer Weston @ £40/sq. m CIL</b>	<b>Rest of district @ £80/sq. m CIL</b>
1-bed flat size (sq. m)	65	65
2-bed flat size (sq. m)	80	80
No. 1-beds	15	15
No. 2-beds	15	15
No. for market sale	30	30
No. of affordable assumed on-site (mix rent/shared ownership)	0	0
AH as %	0	0
Market sale area	2,175	2,175
<i>Market values – and / or as rates £ /sq. m</i>		
Market GDV 1-b flat	£256,800	£308,160
Market GDV 2-b flat	£302,400	£362,880
AH value – Aff. Rent (1-bed)	N/A	N/A
AH value – Aff. Rent (2-bed)	N/A	N/A
AH value – intermediate – 1-bed	N/A	N/A
AH value – intermediate – 2-bed	N/A	N/A
GDV – total – market sales & ground rents	£8.63m	£10.31m
Density (dph)	125	125
Base build cost £/sq. m	£1,600	£1,600
Net to gross build cost addition - non-saleable area adjustment	30%	30%
Sustainability enhancement added to base build cost	(£2,000/unit)	(£2,000/unit)
External works (% base build cost)	10%	10%
Additional site prep. / infrastructure £/unit / survey (additional contingency)	£4,500	£4,500
Design & Professional fees	10%	10%
Build cost contingency	5%	5%
s.106 alongside CIL @ £3,000/unit	£90,000	£90,000
CIL cost @ DCS proposed rates *	£124,286	£248,572
CIL cost (increased total as no AH) as indicative % overall GDV*	1.44%	2.41%
CIL cost (increased total as no AH) as indicative % market GDV*	1.48%	2.47%
Finance rate	6%	6%
Additional finance fees	£30,000	£30,000
Lead-in and main build	18 months	18 months
Sales	24 months after build completion	24 months after build completion
Marketing costs	4%	4%
Legal fees on sale/unit	£750	£750
Fees on acquisition - agency	1.5%	1.5%
Legal fees on acquisition	0.75%	0.75%
Empty property costs (voids) @ £2,000/unit	£60,000	£60,000

Total scheme cost (incl. acquisition, before profit)	£6.95m	£8.3m
Profit sum at input rates – 20% GDV on market; 6% AH cost	£1.68m	£2.01m
<b>Outcomes – RLV indication £/Ha equivalent</b>	Negative RLV	£3.6m/Ha
Meets / exceeds indicative land value comparisons /benchmark(s) (Viability tests)	No, non-viable with this assumptions set	Yes, exceeds highest test level 6

Notes:

With no affordable housing (AH) included the total cost of CIL increases compared with that in the sheltered housing tests, so has a small counteracting affect against the large viability uplift arising from including no AH.

Rates for CIL are tested as C3 levels (£40 in Zone B, £80 in Zone C). The DCS proposed £40/sqm for all areas.

Considered as %s of GDV looking at CIL charging rate as a proportion of the market GDV £/sq. m sales rate assumption, at £40/sq. m (outer WSM) this equates to 1% GDV (rounded) (1 & 2-beds); at £80/sq. m (rest of District) equates to 1.7% GDV (1-beds) and 1.76% GDV (2-beds).

## PROPOSED FURTHER MODIFICATIONS TO DRAFT CHARGING SCHEDULE

NSC proposes additions to the Draft Charging Schedule as marked in red in the amended table of charges below. We do not propose changes to the remaining explanatory text or zone maps.

Location(s)	Use class	Proposed rate / m <sup>2</sup>
Zone A: Weston Town Centre	Residential (C2/C3/C4)	£0
Zone B: Outer Weston: sites	Residential (C2): <ul style="list-style-type: none"> <li>Use for the provision of residential accommodation and care to people in need of care (other than within class C3 (dwelling houses))<sup>1</sup></li> <li>Use as a hospital or nursing home.</li> <li>Use as a residential school, college or training centre.</li> </ul>	£0
	Residential (C3/C4) development on sites designated as Strategic Development Areas	£20
	Residential (C3/C4) development on sites not designated as Strategic Development Areas	£40
Zone C: Rest of District	Residential (C2): <ul style="list-style-type: none"> <li>Use as a hospital or nursing home.</li> <li>Use as a residential school, college or training centre.</li> </ul>	£0
	Residential (C2): <ul style="list-style-type: none"> <li>Use for the provision of residential accommodation and care to people in need of care (other than within class C3 (dwelling houses))<sup>1</sup></li> </ul>	£40
	Residential (C3/C4) development on sites designated as Strategic Development Areas	£40
	Residential (C3/C4) development on sites not designated as Strategic Development Areas	£80
All (zones A, B, C)	Purpose-built student accommodation / halls of residence	£40
	<del>Care homes (C2) (residential accommodation and care to people in need of care)</del>	<del>£40</del>
	Large-scale retail (A1/A2/A3/A4/A5): more than 280m <sup>2</sup> net sales area	£120
	Small-scale retail (A1/A2/A3/A4/A5): less than 280m <sup>2</sup> net sales area	£60
	Commercial (B1/B2/B8)	£0
	All other qualifying development	£0

<sup>1</sup> “Use for the provision of residential accommodation and care to people in need of care (other than within class C3 (dwelling houses))” is further defined as follows:

*“Accommodation available to rent or buy for older people or others in need of care and which meets the following criteria:*

- Residents are subject to an assessment of minimum care needs to establish eligibility to buy or lease a property;*
- Residents are required to purchase a ‘minimum care package’ as a condition of occupation, to include at least 2 hours of domiciliary care per week focused on the health and social care needs of those residents.*
- The development has a minimum non-saleable floorspace in excess of 30% of GIA.”*

Residential development not meeting these criteria shall be charged as C3 residential use class.