

Planning Policy
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By Email Only

29th May 2025

Dear Sirs,

CHURCHILL LIVING & McCARTHY & STONE RESPONSE TO THE CHICHESTER LOCAL PLAN (2021 - 2039) MAIN MODIFICATIONS CONSULTATION.

McCarthy Stone and Churchill Living are independent and competing housebuilders specialising in sheltered housing for older people. Together, they are responsible for delivering approximately 90% of England's specialist owner-occupied retirement housing.

Please find below our comment on the Main Modifications proposed within this consultation insofar as they impact the delivery of specialist accommodation for older persons.

Policy H4: Affordable Housing

Under MM35, several minor amendments have been proposed to emerging Policy H4, these changes however do not materially affect the way the policy is interpreted.

This is disappointing to see given the significant work that has previously been issued to the Council regarding the viability of specialist forms of accommodation. Our previously submitted Hearing Statement (September 2024) has been appended under Appendix 1 to this consultation response for ease of reference, and we respectfully request that the findings of the statement are considered as part of this consultation.

The findings clearly identified that 20% affordable housing is shown to be unviable when tested accurately against the specialist housing typology. The statement concluded that emerging Policy H4 was unsound on the grounds the affordable housing targets were not justified in respect of older persons housing.

It is disappointing to see that the previous recommendations in proposing nil affordable housing for specialist accommodation for older persons on the grounds of viability has not been duly considered. Detailed comments on the plan wide viability underpinning the policy were previously made, however no further analysis appears to have been undertaken to reflect this. The PPG on viability requires that local planning authorities engage with stakeholders on viability matters to create realistic and deliverable policies.

"It is the responsibility of plan makers in collaboration with the local community, developers and other stakeholders, to create realistic, deliverable policies. Drafting of plan policies should be iterative and informed by engagement with

developers, landowners and infrastructure and affordable housing providers”
Paragraph: 002. Reference ID: 10-002-20190509.

This has not occurred in this instance.

The Local Plan is therefore considered to be unsound on the grounds the affordable housing targets are not justified, positively prepared or effective. Policy H4 is not realistic with respect to older persons housing and will not encourage delivery of schemes.

The guidance in the NPPF and the PPG state that the role for viability assessment is primarily at the Plan making stage:

Where up-to-date policies have set out the contributions expected from development, planning applications that comply with them should be assumed to be viable. It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage. The weight to be given to a viability assessment is a matter for the decision maker, having regard to all the circumstances in the case, including whether the plan and the viability evidence underpinning it is up to date, and any change in site circumstances since the plan was brought into force (paragraph 57.)

RECOMMENDATION:

Therefore, in addition to MM35, we again request the following modification is made to the wording of Policy H4:

“Provision of affordable housing will be required as set out in criteria 1 to 4 below and in accordance with the type, mix and tenure requirements set out in Policy H5 (Housing Mix).

This excludes any application which is seeking to deliver specialist accommodation for older persons housing including retirement housing (Use Class C3) and extra care housing.”

A nil affordable housing rate could facilitate a step-change in the delivery of older person's housing in the Chichester helping to meet the diverse housing needs of the elderly as detailed in *Policy H8: Specialist Housing*. The benefits of specialist older persons' housing extend beyond the delivery of planning obligations as these forms of development contribute to the regeneration of town centres and assist Council's by making savings on health and social care.

Thank you for the opportunity for comment.

Yours faithfully



Lauren Bishop
Planner – Planning Issues

Chichester Local Plan 2021-2039
Examination in Public
Hearing Statement by
Planning Issues on behalf of Churchill Living Ltd
(Note that original representations were made under 'Churchill Retirement Living')

Matter 4v: Residential Development Policies
Specifically
Policy H4: Provision of Affordable Housing

September 2024
Appended – Original Representations from Churchill Living
And
30-unit RL Argus Appraisal

Policy H4 Affordable Housing

Q.76 Are the affordable housing percentages in Policy H4 part 1 justified?

No.

Draft Policy H4 seeks to apply a generic affordable housing target to all forms of qualifying housing or 'dwellings' within the relevant use class.

Representations were made on behalf of Churchill Retirement Living in March 2023 specifically relating to the viability assessments underpinning the policy. These representations set out numerous areas within the viability testing where the assumptions made were at odds with those assumptions commonly agreed on a site-specific level. The assumptions were also at odds with the best practice guidance set out within the Retirement Housing Group viability guidance also referenced within the respondent's submission.

The respondent's submissions concluded that the testing undertaken in respect of the housing for older persons typology resulted in an inflated viability position, concluding an overly optimistic position.

To our knowledge, no further testing has been undertaken by the council which would factor in any of the recommendations made by the respondents.

A short response on the council website from officers is set out here.

[Chichester District Council - Representation 5692 \(oc2.uk\)](#)

It states:

Our response:

The respondent does not appear to have submitted any evidence to substantiate their argument. Moreover, the requirement in the LP is not speculative, as this issue is addressed in the Council's viability evidence, which includes an assessment of viability position with respect to older persons accommodation (as set out in paragraphs 3.4.44 – 3.4.48 of the stage 2 Assessment). Moreover, the policy allows for some flexibility in order to address the viability issues which characterise such schemes.

The respondent submitted detailed viability evidence including financial appraisals and reference to best practice elsewhere including appeal precedent. It is illogical for the council to suggest no evidence has been submitted to substantiate the respondent's argument.

The respondent therefore remains of the opinion that draft Policy H4 is not justified, and the policy is unsound.

We would remind the council that the viability PPG states:

It is the responsibility of plan makers in collaboration with the local community, developers and other stakeholders, to create realistic, deliverable policies. Drafting of plan policies should be iterative and informed by engagement with developers, landowners, and infrastructure and affordable housing providers (Viability PPG Paragraph 002).

Therefore, the representations previously made are appended to this statement for reconsideration by officers and for the information of the Inspector. In summary we would reiterate the following key points.

The requirements of the NPPF and the guidance within the PPG make it clear that the role for viability assessment is primarily at the Plan making stage:

Where up-to-date policies have set out the contributions expected from development, planning applications that comply with them should be assumed to be viable. It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage. The weight to be given to a viability assessment is a matter for the decision maker, having regard to all the circumstances in the case, including whether the plan and the viability evidence underpinning it is up to date, and any change in site circumstances since the plan was brought into force (paragraph 57.)

Council Members, Officers and the general public will assume that applications for sheltered or extra care housing will be able to support a policy compliant level of affordable housing. This would however be wholly at odds with the viability evidence underpinning the Local Plan were the assumptions made within the testing to accord with those agreed routinely on a site-specific level. Our extensive experience in dealing with site specific viability discussions is that it is never appropriate to apply generic affordable housing requirements as this leads to confusion, misled expectations and delay.

We would remind the council that the PPG also states in respect of viability that:

Different requirements may be set for different types or location of site or types of development (Viability PPG Paragraph 001)

The council rightly adopt a typology approach in viability testing and assess the viability of housing for older persons.

The PPG is clear that in assessing site specific viability considerations, reference should be taken to the plan wide viability informing policy.

Where a viability assessment is submitted to accompany a planning application this should be based upon and refer back to the viability assessment that informed the plan; and the applicant should provide evidence of what has changed since then. (Viability PPG Paragraph 008)

The inputs and assumptions to the plan wide viability must therefore reflect the typology, and particularly the assumptions agreed amongst practitioners on a consistent basis as part of other plan wide assessments and also site-specific assessments. Otherwise, it is impossible for developers of the typology to bring forward such sites without having a consistent approach around the country. The PPG is clear that consistency matters to ensure that developers can confidently invest in bringing forward development.

The respondent's comments are set out in detail within the original submission (attached again). However, it is worth highlighting some inputs again due to their impact on viability including:

Developer Profit – Since the original submission in 2023, a further appeal decision relating to minimum accepted developer return was risk was decided in Sale (Appeal Reference APP/Q4245/W/23/3325034). The following quote from the inspector is of note:

As the Council has failed to account for the particular risks associated with developing a retirement living scheme, I consider that its base line of 17.5% is unsound and the uplift of 1% to reflect 2023 market conditions is no antidote. I therefore agree with the Appellant that a profit of 20% of gross development value should apply (Paragraph 83).

The Chichester Local Plan assumption of 17.5% is therefore wholly inaccurate and does not reflect the typology tested. By ignoring submissions on this point, the council is not fulfilling their requirement to engage with developers on this point and will simply lead to conflict and delay at the development management stage where an older person's housing scheme comes forward.

Sales and Marketing Costs – Again, the above decision points to a 5% requirement whereas the council's plan wide viability assessment applies 3%. The council's plan wide viability assessors consistently agree a 5% allowance on site specific assessments. Furthermore, the recent Sale appeal decision referenced above also agrees that 5% is a minimum allowance for the topology.

Taking these two points alone, combined, profit and sales and marketing costs are considered to be underestimated by at least 4.5% of gross development value equating to cost increases of £400,000 for their January 2023 Appendix 2 Sheltered Housing test.

We also note that the gross to net assumption applied within the testing shows only 20% communal space whereas all best practice confirms that minimum non saleable area on such proposals is typically 25%. The result of increasing non saleable floorspace is additional build cost. That would mean circa £300,000 additional build cost.

The above is without considering the vast number of other inputs questioned within the original respondent submissions including empty property costs, finance costs etc.

Link to Viability [Microsoft Word - Appendix II \(chichester.gov.uk\)](#)

The respondent's original submissions examined a slightly different sheltered housing scheme. In order to assist the Inspectors and officers, the respondents have replicated the plan wide viability assessment above and include at **Appendix 2** a version of the 30 unit tested by the council and their consultant. Within this, the gross to net saleable floor area is amended to 25% and adjustments are made to profit and sales and marketing costs as set out above.

The net result is a residual value of circa £90,000 including 20% affordable housing rather than the +£1 million land value presented within the council's evidence base. Measured against the plan wide viability assessment of benchmark land value the £287,000 per hectare residual land value now arrived at is below the minimum £500,000 per hectare threshold for even high value greenfield land and well below the £850,000 per hectare threshold minimum brownfield threshold (this typology will only generally come forward on brownfield land in appropriate urban locations). The 20% affordable housing requirement is therefore shown to be unviable.

BLV Notes:

EUV+ £/ha	Notes
£250,000	Greenfield Enhancement - reflecting larger scale development
£500,000	Greenfield Enhancement (Upper) - reflecting smaller scale development
£850,000	
£1,500,000	(PDL BLVs) N/A on GF - indicated viable at GF BLV upwards
£2,000,000	(PDL BLV) N/A on GF - indicated viable at GF BLV upwards
£3,000,000	
£3,500,000	(PDL BLVs) N/A on GF - indicated viable at GF BLV upwards

Dixon Searle Partnership (2022)

The respondent's position is representative of our experience elsewhere as part of site-specific assessments where it is commonly agreed that this typology cannot provide full percentages of affordable housing.

More and more local planning authorities are acknowledging this position within local plans. As an example, emerging policies in [BCP](#), [Birmingham](#) and [Charnwood](#) propose affordable housing exemptions in respect of proposals for housing for older people having found through their plan wide viability assessments that viability was constrained for these typologies.

[BCP](#)

The Local Plan viability assessment indicates that for greenfield sites we can continue to seek 40% affordable housing provision on-site. For brownfield sites we will seek 10-15% affordable housing, but due to viability, this will not apply in Bournemouth and Poole town centres, or for specialist forms of housing (e.g. build to rent, student housing, care/ nursing homes (Use Class C2) or for retirement housing (sheltered housing) and extra care (assisted living) housing (both Use Class C3)).

[Birmingham](#)

Due to the specific viability challenges of delivering older persons' housing, the evidence suggests on the basis of the market research, appraisal inputs and policy requirements, Older Person's Housing is exempted from Affordable Housing provision.

[Charnwood](#)

Our viability evidence shows that neither sheltered housing nor extra care housing developments are likely to be viable if a contribution towards affordable housing is sought.

[Fareham Borough Council](#) recently adopted their new local plan and Policy HP5 of the plan states:

The Viability Study concludes that affordable housing is not viable for older persons and specialist housing. Therefore, Policy HP5 does not apply to specialist housing or older persons housing.

The respondents are of the view that similar conclusions would be made in this case in respect of housing for older people whereby a reduced or even zero affordable housing requirement would be more appropriate.

We therefore request that the previous substantial evidence submitted by the respondent together with these submissions is reviewed by the council and their assessors and the plan wide viability evidence is updated in respect of housing for older people.

In conclusion, draft Policy H4 is therefore considered to be unsound on the grounds the affordable housing targets are not justified in respect of housing for older people.



Appendix 1 – March 2023 Reg 19 submission by Churchill Retirement Living
(‘Churchill Living’ as of 1st July 2024)

REVIEW OF LOCAL PLAN VIABILITY ASSESSMENT

FOR RETIREMENT LIVING HOUSING

CHICHESTER DISTRICT COUNCIL
LOCAL PLAN 2021-2039 (REGULATION 19 CONSULTATION)

MARCH 2023

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1. Introduction

- 1.1.1 This supporting statement has been prepared on behalf of Churchill Retirement Living, an independent housebuilder specialising in housing for older people.
- 1.1.2 In this statement we critically appraise the evidence underpinning the affordable housing targets detailed in *Policy H4: Affordable Housing* of the *Chichester District Local Plan 2021-2039* (Regulation 19) consultation.
- 1.1.3 This Statement is a focused document underpinning our representations to the Local Plan Regulation 19 consultation on *Policy H4*. In the interest of brevity, it does not comprehensively cover Government policy on viability in Plan preparation or detail the residual land appraisal methodology at length. These matters are comprehensively covered in the LPVA.

2. Review of Local Plan Viability Study

- 2.1.1 *Policy H4: Affordable Housings* advises that on sites of 10 dwellings or more affordable housing provision will be required at the following percentages:
 - North of the Plan Area – 40% on greenfield sites, 30% on previously developed land.
 - South of the Plan Area – 30% on greenfield sites, 20% on previously developed land.
- 2.1.2 It is clear from the wording of the policy and its justification that the Local Authority is cognisant of the increased emphasis on Local Plan viability testing in Paragraph 58 of the NPPF. Given the Council's stance towards developer contributions and affordable housing, we find aspects of the evidence base underpinning these policies to be of concern.

2.2 Older Persons' Housing Typologies

- 2.2.1 The affordable housing targets set out in *Policy H4: Affordable Housing* of the *Chichester District Local Plan 2021-2039* (Regulation 19) consultation are informed by the *Local Plan 2021-2039 Viability Assessment* (VA) by Dixon Searle Partnership (January 2023).
- 2.2.2 We note that the VA has assessed the viability of older persons' housing typologies, which is welcomed.
- 2.2.3 In reviewing the methodology for assessing specialist older persons' housing, we note that many of the inputs align with the methodology detailed in the Briefing Note on Viability Prepared for the Retirement Housing Group (hereafter referred to as the RHG Briefing Note) by Three Dragons, although a number do not. Our concerns are that the Viability Assessment has overplayed the viability of older persons' housing.
- 2.2.4 Mindful of the guidance in the PPG that is the responsibility of site owners and developers to engage in the Plan making process. Churchill Retirement Living have provided commentary and supplemental evidence on the viability assumptions used in the viability appraisals for retirement living housing typologies in the VA.

3. Viability Appraisal Inputs

3.1 Introduction

- 3.1.1 Churchill Retirement Living have considered the inputs and assumptions used in the financial viability appraisals for older persons' housing in the *Local Plan 2021-2039 Viability Assessment* (VA) by Dixon Searle Partnership (October 2022). A summary table has been provided in the table entitled: *Comparison of Appraisal Inputs* on page 6 of this report.
- 3.1.2 Many of the inputs used in our appraisal of Retirement Living housing typologies align with the methodology detailed in the *Briefing Note on Viability Prepared for the Retirement Housing Group* (hereafter referred to as the RHG Briefing Note) by Three Dragons. Where they differ is clearly stated in this report.

3.2 Unit Sizes

- 3.2.1 Apartments for specialist older persons' housing tend to be larger than 'general needs' open market housing. The unit sizes used in the VA do however differ from those recommended in the RHG Briefing Note and no justification has been given for this deviation.

RHG Briefing Note Recommended Unit Sizes

	1 bed	2 bed
Sheltered	55 m ²	75 m ²

3.3 Sales Values

- 3.3.1 The VA tests a range of sales values in increments from £5000 per m² to £7,000 per m².
- 3.3.2 Harrington Lodge a Churchill Retirement Living development in Chichester recently sold out (in 2022). Prices at this development were circa £345k for a 1-bed and £475k for a 2-bed. Average sales values per m² in this development were circa £6,250 per m². Harrington Lodge is a very well-located scheme located on the outskirts of Chichester town centre and as such is at the upper limit of what can be achieved in the District.
- 3.3.3 A sales value of £6,250 per m² has been applied in the appraisal.

3.4 Unit Mix

- 3.4.1 The RHG briefing note recommends a 60:40 split for 1bed:2 beds. We have used the recommended mix.

3.5 Base Build Cost

- 3.5.1 Build costs are covered in Chapter 2.11 of the VA which advocates the use of the appropriate BCIS 'Median Generally' costs as a base rate.

£/m2 study

Description: Rate per m2 gross internal floor area for the building Cost including prelims.

Last updated: 11-Mar-2023 05:56

➤ Rebased to Chichester (108; sample 30)

Maximum age of results: 5 years

Building function (Maximum age of projects)	£/m² gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
New build							
843. Supported housing							
Generally (5)	1,979	1,248	1,644	1,797	2,331	3,552	26
Single storey (5)	1,808	-	-	-	-	-	1
2-storey (5)	2,086	1,248	1,666	1,797	2,457	3,552	12
3-storey (5)	1,786	1,300	1,572	1,663	1,800	2,793	7
4-storey or above (5)	1,961	1,376	1,677	2,028	2,140	2,585	5
843.1 Supported housing with shops, restaurants or the like (5)	1,606	1,381	1,523	1,557	1,712	1,857	5

- 3.5.2 The respondents have based their appraisal on the March 2023 Median 'generally' BCIS rates for supported housing, re-based to Chichester which are £1,797 per m².

3.6 Sales Rate

- 3.6.1 The sales rate utilised in the VA is unknown.
- 3.6.2 A rate of sale of one unit per month, as per the RHG's best practice methodology, is considered by Churchill Retirement Living to be, broadly speaking, an appropriate reflection of their sales rate nationally, albeit the rate of sale nationally is lower presently.
- 3.6.3 Chichester is located in the respondent's South-East region, where the rate for all selling sites is 0.3 sales per month, which reflects the current uncertainty in the market. Evidence of this sales rate is provided in **Appendix 1**.

3.7 Gross to Net

- 3.7.1 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.
- 3.7.2 Our experience is that this percentage should be at least 25% of the proposed total area to cater for communal lounges, lodge manager office and guest rooms.

3.8 Benchmark Land Value

- 3.8.1 A 50-unit retirement living development built at 125dph is presumed to have a Gross site area of 0.4ha in the VA. Benchmark Land Values

Figure 11: Range of BLVs ('Viability Tests')

EUV+ £/ha	Notes
£250,000	Greenfield Enhancement - reflecting larger scale development
£500,000	Greenfield Enhancement (Upper) - reflecting smaller scale development
£850,000	Low-grade PDL (e.g. former community uses, yards, workshops, former industrial etc.)
£1,500,000	
£2,000,000	Medium PDL - industrial/commercial
£3,000,000	Upper PDL Benchmark/residential land values
£3,500,000	

- 3.8.2 The respondents do not ordinarily develop greenfield land, with a typical site being within 0.5 miles of a town or local centre, so as to best facilitate the independence of the intended residents. We have no comments on the value of greenfield sites accordingly.
- 3.8.3 It is also more likely that in the edge-of-centre locations typically developed by the respondents, development opportunities are likely to be commercial / office units, former health care facilities such as care homes or site assemblies comprising one or more residential properties. The PDL Commercial (Medium & Uppers) and Residential Benchmark Land Values have been tested accordingly.

3.9 Profit

- 3.9.1 The *Local Plan Viability Study* allows for a 17.5% profit margin. This does not conform with the recommendations of the RHG Briefing note, but the Planning Inspectorate has also consistently concluded that an acceptable return for risk in respect of retirement living proposals is not less than 20% of gross development value. Examples include:

- McCarthy and Stone proposal at Redditch (Appeal Ref: 3166677)
- Churchill Retirement Living proposal at Cheam (Appeal Ref: 3159137)
- Churchill Retirement Living scheme at West Bridgford (Appeal Ref: 3229412)

3.10 Empty Property Costs

- 3.10.1 Empty property costs are a function of council tax payable on finished unsold and empty property as well as the service charge which must be paid owing to longer than average sales periods for this type of proposal.
- 3.10.2 Council applies the Council Tax Empty Property Premium. Council Tax rises to 100% if the property has been empty for longer than two years, 200% for over five years, and 300% if it remains empty for longer than ten years
- 3.10.3 A typical 50-unit scheme will take over 4 years to sell out and as such substantial monies will be paid in Council Tax over this period.
- 3.10.4 Residents of specialist older persons' housing are also required to pay a service charge to pay for the upkeep of communal facilities and for staff costs. Service charges are higher for Extra Care accommodation because of the enhanced level of communal facilities and the increased staffing associated with on-site care. Staff and facilities need to be on-site and functional from when the first resident arrives and accordingly the companies subsidise the service charges of empty apartments while they are being sold. McCarthy Stone list their typical services charges on their website as follow:

McCarthy Stone – Typical Service Charge

	1 bed per week	2 bed per week
Sheltered	£48.93	£138.27
Extra Care	£73.36	£184.31

- 3.10.5 Empty property costs as a result of Council Tax and Service Charge payments are therefore a substantial cost for older persons' housing. We have applied Empty Property Costs of £3k per unit retirement living unit.

3.11 Sales & Marketing Costs

- 3.11.1 Sales and marketing allowances for specialist housing proposals for older people are widely acknowledged to differ substantially from mainstream housing. This is due to the restricted occupancy and longer than average sales periods often extending over several years.
- 3.11.2 Sales and marketing activities in respect of this type of proposal are considerably more intensive and long running than mainstream housing and necessitate a sustained campaign with permanent sales staff on site over the course of typically years rather than months for mainstream housing.
- 3.11.3 The RHG Briefing Note advises that *"Marketing costs are typically 6% of revenue compared with 3% of revenue for general needs houses and flats."* This has been supported by a recent appeal decision in Redditch Appeal Ref: 3166677.

3.12 S106 Contributions

- 3.12.1 The extent of Planning Obligations required in the south of the District are substantial and are detailed in below
- CIL (index linked to 2023) £157.20per m² result in 660k for a typical RL scheme of 50 units
 - Nutrient Neutrality is £2k per unit - £100k per 50 unit scheme
 - Water Neutrality is £2k per unit - £100k per 50 unit scheme
 - SPA mitigation - £625 per dwelling - £31,250 per 50 unit scheme
 - Residual s106 - £1500 per unit - £75k per 50 unit scheme
 - A827 contribution £8kper dwelling - £400k per 50 unit scheme
- 3.12.2 Total is £1,366,250k in s106 before Affordable Housing contributions.
- 3.12.3 We are also concerned that the level of financial contributions attributed to achieving nitrate neutrality and water neutrality are underrepresented, we believe that figures could be up to £8k a unit for nutrient neutrality (based on examples requested in other LPAs) and, given there are no example of off-site credit systems, a similar figure could potentially be required again for water neutrality.

3.13 Interest Rates

- 3.13.1 We note that the appraisals assume 6% for total debit balances (to include interest and associated fees). This does not reflect increased cost of borrowing arising because of the Bank of England changes to base lending rates in September 2022 and the forecasted further increases in 2023 to curb rates of inflation.
- 3.13.2 In our experience a minimum of 7% is now acknowledged as appropriate when viability is assessed at the development management stage.

Comparison of Viability Inputs

	Retirement Living	
	DSP	CRL
Sales Values	£5,000 to £7,000 per m ²	£6,300per m ²
Unit Size	1bed- 55m ²	1bed – 55 m ²
	2 bed -75m ²	2 bed – 75 m ²
Benchmark Land Value	£1.5 - £3million per ha	£1.5 - £3million per ha
Dwellings per hectare	125dph	125dph
Dwelling Mix	unknown	60% 1-bed 40% 2-beds
No. of units	30	50
Site size	0.24 Hectares (Gross)	0.4 Hectares (Gross)
Build Period	12 months	18 months
Sales Period	Unknown	50 Months
Base Build Costs	£1,700 per m ² .	£ 1,797 per m ² .
Site Costs	£500kper ha	£200k
% Communal floorspace	25%	25%
Biodiversity Net Gain	0.18% of Build Costs	0.18% of Build Costs
Contingencies	5% of build costs	5% of build costs
Professional Fees	8-10% of build costs	10% of build costs
Sustainable Design / Construction	+3.5% Build Costs	3.5% Build Costs
EV Charging	£1,961 per unit	£31,375 based on 1:3 parking provision
S106 Costs	£1.5k per unit	£1.5k per unit
Nutrient & Water Nutrality	£4k per unit	£4k per unit & £8k per unit
A827	£8K per dwelling	£8K per dwelling
SANG	£625 per dwelling	£625 per dwelling
CIL	£157.20 per m ²	£157.20 per m ²
Finance Costs	6%	7%
Profit	17.5%	20%
Agents Fee % of site value	1.5%	1.5%
Sales & Marketing	3%	6%
Legal Fees (% of site value)	0.75%	0.75%
Empty Property Costs	£2,000 per unit	£3,000 per unit

4. Results

4.1 Older Persons' Housing Typologies

- 4.1.1 The outputs of the viability appraisals for older persons' housing typologies are summarised below for ease of reference. This FVA does not include any affordable housing as part of the appraisal and is therefore undertaken based on a 100% private proposal. A summary is provided in Appendix B
- 4.1.2 The residual land value is £1,397,891, with a nutrient / water neutrality contribution of £4k per unit and £1,218,485 with a nutrient neutrality contribution of £8k per unit.
- 4.1.3 When assessing the 100% private scheme against this benchmark land values for Upper Value Previously Developed Lane, there is negligible financial headroom available to contribute towards affordable housing.
- 4.1.4 Specialist older persons' housing providers are already heavily reliant on factors that reduce the cost of development in order to bring specialist older persons' housing coming forward such as achieving efficiencies in the build cost or achieving a lower level of profit.
- 4.1.5 The respondents' do however have significant reservations over aspects of the *Local Plan 2021-2039 Viability Assessment* which overstates the viability of these forms of accommodation. For example, it is presumed that sales rate used in the VA was higher than the 1 unit per month which, generally, reflects the respondent's experience.
- 4.1.6 It is the respondent's view that the cumulative impact of other differences in viability assumptions used in the VA presents an overly optimistic assessment of the viability of older persons' housing.

4.2 Sensitivity Testing

- 4.2.1 The Argus Developer sensitivity function has been applied to test the impact of variations within proposed sales values and build costs for the appraisal assuming 0% affordable housing. The output in **Appendix 3**.
- 4.2.2 Looking across the next 5 years, BCIS tender prices are forecast to increase at a rate of circa 9% over 2021/22 and from thereon 5%, 4% and 3% or in excess of 25% over the next 6 years.

Table 7: BCIS forecast of tender prices

Period	Forecast
2Q2021 to 2Q2022	+9.1%
2Q2022 to 2Q2023	+5.5%
2Q2023 to 2Q2024	+4.7%
2Q2024 to 2Q2025	+3.8%
2Q2025 to 2Q2026	+2.7%
2Q2026 to 2Q2027	+2.4%

Source: BCIS

- 4.2.3 In terms of sales value growth over the same period, there is much uncertainty regarding the property market at present given the Bank of England changes to base lending rates in September 2022 and forecast further increases in 2023 to curb rates of inflation. It is forecast that the knock-on impact on mortgage affordability and wider cost of living issues at present will put an end to the inflation seen in house price growth seen over the last few years. In general, market commentators are forecasting house price reductions across the market during 2023¹.
- 4.2.4 The RICS Market Survey (Oct 22)² concludes:

1.1.1 _____

¹ [UK housebuilders' shares tumble on gloomy house price predictions | Financial Times \(ft.com\)](https://www.ft.com/content/2022/10/27/uk-housebuilders-shares-tumble-on-gloomy-house-price-predictions)

² [10. web -october 2022 rics uk residential market survey final.pdf](https://www.rics.org/uk/residential-market-survey-final.pdf)

Looking ahead, the net balance for the twelve-month price expectations series sank to -42% in the latest findings, falling from a reading of -18% last time. When viewed at the regional/country level, respondents across all parts of the UK are now (on balance) of the opinion that prices will see some degree of decline over the year ahead.

4.2.5 Savills at November 2022³ forecast the following 5 year mainstream housing performance.

UK mainstream house price forecasts

	2023	2024	2025	2026	2027	5-year
UK mainstream house prices	-10.0%	1.0%	3.5%	7.0%	5.5%	6.2%

Source: Savills Research

4.2.6 The immediate outlook therefore is for costs to continue to inflate with some uncertainty in relation to open market sales values beyond 2022.

1.1.1 _____

³ [Savills UK | Mainstream residential market forecast 2023-27](#)

5. Conclusion

- 5.1.1 Churchill Retirement Living are strongly of the view that it would be more appropriate to set a nil affordable housing target for sheltered and extra care development, at the very least in urban areas in the south of the District. This approach accords with the guidance of the PPG which states that 'Different (affordable housing) requirements may be set for different types or location of site or types of development' (Paragraph: 001 Reference ID: 10-001-20190509).

- 5.1.2 The guidance in the NPPF and the PPG is that the role for viability assessment is primarily at the Plan making stage:

Where up-to-date policies have set out the contributions expected from development, planning applications that comply with them should be assumed to be viable. It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage. The weight to be given to a viability assessment is a matter for the decision maker, having regard to all the circumstances in the case, including whether the plan and the viability evidence underpinning it is up to date, and any change in site circumstances since the plan was brought into force (paragraph 57.)

- 5.1.3 Council Members, Officers and the general public will assume that applications for sheltered or extra care housing will be able to support a policy compliant level of affordable housing. This would however be wholly at odds with the viability evidence underpinning the Local Plan.

- 5.1.4 The requirement for affordable housing contributions from specialist older persons' housing typologies is therefore speculative rather than based on the evidence presented. The Local Plan is therefore considered to be unsound on the grounds the affordable housing targets are not justified, positively prepared or effective.

- 5.1.5 We therefore respectfully request that a new subclause is added stating that:

Specialist older persons' housing will be subject to a nil affordable housing requirement on brownfield / urban sites in the South of the District and a 30% affordable housing requirement on greenfield sites.

- 5.1.6 To that end, we would like to draw the Council's attention to Paragraph 5.33 of Policy HP5: Provision of Affordable Housing in the emerging Fareham Borough Local Plan which advises that:

5.33 ... The Viability Study concludes that affordable housing is not viable for older persons and specialist housing. Therefore, Policy HP5 does not apply to specialist housing or older persons housing.

- 5.1.7 A nil affordable housing rate could facilitate a step-change in the delivery of older person's housing in the District, helping to meet the diverse housing needs of the elderly. The benefits of specialist older persons' housing extend beyond the delivery of planning obligations as these forms of development contribute to the regeneration of town centres and assist Council's by making savings on health and social care.

Appendix 2 – Viability Appraisal

100% Open Market Sheltered (30) 20% AH
Chichester Local Plan

APPRAISAL SUMMARY**CRL****100% Open Market Sheltered (30) 20% AH
Chichester Local Plan****Appraisal Summary for Phase 1 Retirement Housing**

Currency in £

REVENUE

Sales Valuation	Units	m ²	Sales Rate m ²	Unit Price	Gross Sales
Market Housing	24	1,608.00	5,500.60	368,540	8,844,960
20% AH	<u>6</u>	<u>402.00</u>	2,746.27	184,000	<u>1,104,000</u>
Totals	30	2,010.00			9,948,960

NET REALISATION 9,948,960**OUTLAY****ACQUISITION COSTS**

Residualised Price (0.32 Ha @ 287,519.86 /Hect)		92,006	
			92,006
Agent Fee	1.00%	920	
Legal Fee	0.75%	690	
			1,610

CONSTRUCTION COSTS

Construction	m ²	Build Rate m ²	Cost
Market Housing	2,144.00	1,700.00	3,644,800
20% AH	<u>536.00</u>	1,700.00	<u>911,200</u>
Totals	2,680.00 m²		4,556,000
Developers Contingency		5.00%	250,580
Site Works			160,000
Carbon Reduction		3.50%	159,460
EV Charging			58,830
M42	2,680.00 m ²	15.00	40,200
M43	536.00 m ²	8.00	4,288
CIL	2,144.00 m ²	157.20	337,037
SPA			19,560
Nitrate / Water Neutrality	30.00 un	3,000.00 /un	90,000
A27	30.00 un	8,000.00 /un	240,000
S106	30.00 un	1,000.00 /un	30,000
BNG			40,000
			5,985,955
Other Construction Costs			
External Costs		10.00%	455,600
			455,600

PROFESSIONAL FEES

Architect	10.00%	557,965	
			557,965

MARKETING & LETTING

Marketing	3.00%	265,349	
			265,349

DISPOSAL FEES

Sales Agent Fee		2.00%	176,899
Sales Legal Fee	24.00 un	600.00 /un	14,400
			191,299

MISCELLANEOUS FEES

Profit AH		6.00%	66,240
Profit Market		20.00%	1,768,992
			1,835,232

Unsold Unit Fees

Market Housing			92,415
			92,415

TOTAL COSTS BEFORE FINANCE 9,477,431**FINANCE**

Timescale	Duration	Commences
Acquisition	1	Mar 2023
Pre-Construction	6	Apr 2023
Construction	14	Oct 2023
Sale	30	Dec 2024

**100% Open Market Sheltered (30) 20% AH
Chichester Local Plan**

Total Duration 51

Debit Rate 7.50%, Credit Rate 0.50% (Nominal)

Land	13,008	
Construction	312,347	
Other	146,174	
Total Finance Cost		471,529

TOTAL COSTS**9,948,960****PROFIT****0****Performance Measures**

Profit on Cost% 0.00%

Profit on GDV% 0.00%

IRR% (without Interest) 8.63%