

## Comments by McCarthy Stone & Churchill Living

### Policy H7 - Affordable housing

In our submission at the Regulation 18 stage we highlighted that a number of characteristics of older persons housing that add additional cost to the typology had not been included within the Rutland County Council Whole Plan Viability Assessment, August 2023, HDH (Viability Assessment). It was our view that the older persons housing typology should be re-run using all relevant characteristics and if older persons' housing was found to not be viable in delivering 30% affordable housing the policy should be amended to reflect the outcome.

Policy H7 requires 'All major residential developments comprising 10 or more dwellings (or with a site area of 0.5 hectares or more) will be required to make provision, onsite, for a minimum of 30% of the scheme's total capacity as affordable housing... On brownfield sites, consideration will be given to the application of vacant building credit.' The policy confirms that 'this includes development incorporating Use Class C2 supported housing, where these meet the Council Tax definition of a dwelling' and that 'the affordable housing requirement together with all other policy requirements in this plan have been assessed as being viable for the development types and sites allocated in this plan, therefore it is assumed that all development proposals will be viable.'

Despite the policy wording, and as pointed out previously, Table 10.8 of the Viability Assessment provides a summary of the outcome of the Assessment and at 30% affordable housing and finds that extra-care housing to **not be viable** and sheltered housing to be **marginal**, depending on the value range. Based on this data the Viability Assessment concludes at paragraph 10.53 that 'based on this analysis, Sheltered housing and IRC are likely to be able to bear 30% affordable housing at the mid policy requirement, but not at the higher requirement. Extra care housing has capacity to bear affordable housing, however this is unlikely to be at policy compliant levels'. However, this evidence has again not been reflected in the current draft and the policy gives a misleading impression of the viability of retirement housing.

Table 10.8

Source: HDH (July 2023)

			EUV	BLV	Residual Value									
					0%	5%	10%	15%	20%	25%	30%	35%	40%	
Site 7	Sheltered Flats	Lower	600,000	720,000	3,626,211	3,259,291	2,892,372	2,525,453	2,158,533	1,790,480	1,422,013	1,053,547	685,081	
Site 8	Sheltered Flats	Mid	600,000	720,000	3,527,990	3,161,410	2,794,829	2,428,249	2,061,669	1,693,954	1,325,827	957,699	589,572	
Site 9	Sheltered Flats	Higher	600,000	720,000	2,700,819	2,337,093	1,973,367	1,609,642	1,245,916	881,056	515,783	137,235	-246,032	
Site 10	Extra Care Flats	Lower	600,000	720,000	2,619,039	2,246,689	1,874,339	1,501,989	1,129,638	755,926	378,315	-12,758	-405,374	
Site 11	Extra Care Flats	Mid	600,000	720,000	2,493,000	2,121,395	1,749,790	1,378,185	1,006,581	633,614	252,303	-139,531	-531,365	
Site 12	Extra Care Flats	Higher	600,000	720,000	1,432,154	1,066,823	701,492	331,412	-51,296	-436,052	-821,303	-1,214,553	-1,614,605	
Site 13	Integrated Retirement	Lower	25,000	375,000	1,749,913	1,603,041	1,456,169	1,309,297	1,162,425	1,015,553	868,681	721,809	574,937	
Site 14	Integrated Retirement	Mid	25,000	375,000	1,703,902	1,557,343	1,410,784	1,264,225	1,117,666	971,107	824,548	677,989	531,430	
Site 15	Integrated Retirement	Higher	25,000	375,000	1,315,923	1,172,003	1,028,083	884,163	740,243	596,323	452,403	308,483	164,563	

Older persons housing differs from a standard model of development as confirmed within the PPG Paragraph: 010 Reference ID: 63-010-20190626. Specialist housing schemes for older people tend to be flatted developments, based around communal facilities and community living and delivered on smaller brownfield sites in a single phase before sales can occur. Additional facilities include extensive communal areas, such as space to socialise, a wellbeing centre, a care service with 24 hour access to support services and staff and a bistro where

meals are often available. This enables residents to live much more independently than they would otherwise.

Given the characteristics of specialist housing for older persons housing, we have concerns that some additional costs that developers of older persons housing schemes experience, have not been fully incorporated into the Viability Assessment. The key variables not included at the correct level are typical scheme size, sales periods, empty property costs, marketing costs, professional fees and profit and are discussed below. In addition, whilst we welcome that the Council have tested sheltered and extra care housing it is unclear whether this is on a brownfield or greenfield site

#### Typical Scheme Size and non-saleable area

We note para 9.15 of the Viability Assessment identifies that it has modelled the following:

- 'a. A private Sheltered/retirement scheme of 36 x 1 bed units of 50m<sup>2</sup> and 24 x 2 bed units of 75m<sup>2</sup> to give a net saleable area of 3,675m<sup>2</sup> . A further 20% non-saleable service and common areas is allowed for. A site of 0.5ha is assumed.*
- b. An Extra care scheme of 36 x 1 bed units of 65m<sup>2</sup> and 24 x 2 bed units of 80m<sup>2</sup> to give a net saleable area of 4,260m<sup>2</sup>. A further 30% non-saleable service and common areas is allowed for. A site of 0.5ha is assumed.'*

However we have concerns that the typical scheme modelled is not in line with advice within the Retirement Housing Consortium paper entitled 'A briefing note on viability' prepared for Retirement Housing Group by Three Dragons, May 2013 (updated February 2013 ('RHG Briefing Note')). The testing undertaken does not therefore represent a typical older persons' housing scheme (sheltered or extra care) The RHG Briefing Note establishes how sheltered housing and extra care development differs from mainstream housing and looks at the key variables and assumptions that can affect the viability of specialist housing for older people. We note that the Viability Assessment has used this assessment in some areas but not used all assumptions included within it.

The RHG briefing note identifies that the following should be modelled:

- Sheltered: 50-60 units at a density of 100-120 dwellings per hectare with communal / non chargeable space of 20-30%
- Extra care – 40-50 units at a density of 80-100 dwellings per hectare with communal / non chargeable space of 35-40% .

It is clear when considering the site that has been modelled within the Viability Assessment, for extra care in particular, with that of the RHG briefing note, that there are a number of discrepancies that should be amended and the Viability Assessment re-run. With respect to Extra-Care it is clear that either the site area should be increased according to densities within the RHG briefing note or the number of units modelled on a 0.5 ha site should be reduced. In addition, the non-chargeable space for extra care should be increased to at least 35% to be consistent with the RHG

briefing note. If the typical scheme is amended, especially for extra care and remodelled the viability of older persons housing would reduce.

#### Sales periods

Older persons housing schemes that typically consist of flatted development of 40 – 60 units cannot be phased and must be fully built and operational from month 1 of sales. Sales periods are typically longer for retirement housing than for general housing with a typical scheme taking around 36 months to sell. The build period takes approximately 12 to 18 months. This longer sales period has not been accounted for within the viability assessment and would reduce viability of older persons housing if considered.

#### Empty property costs

Due to the long sales period older persons housing schemes experience higher void costs as schemes take longer to sell than general needs housing. A typical average empty property cost per unit is £5,000 for sheltered and £8,000 for extra care. This covers costs such as council tax and service charges on unsold units. Although this has been accounted for within the Viability Assessment, this is at a lower rate of £4,500 per unit. The Viability Assessment should be re-run using the revised figures.

#### Marketing costs

We note para 7.39 of the Viability Assessment identifies that disposal costs of 3.5% have been included. However, given the longer sales period, there is a longer and more supportive marketing / sales programme for specialist retirement housing needed compared to general needs, typical marketing costs are 6%. This was included within the Retirement Housing Consortium paper entitled 'A briefing note on viability' prepared for Retirement Housing Group by Three Dragons, May 2013 (updated February 2013 ('RHG Briefing Note')). The RHG Briefing Note establishes how sheltered housing and extra care development differs from mainstream housing and looks at the key variables and assumptions that can affect the viability of specialist housing for older people. We note that the Viability Assessment has used this assessment in some areas but not used all assumptions included within it. If a higher percentage for marketing costs was included within the Viability Assessment for Older Peoples housing this would reduce viability of older persons housing.

#### Professional fees

We note para 7.20 of the Viability Assessment identifies that professional fees of 8% have been included. However, given the brownfield and small to medium scale nature of sites on which older persons housing come forward a 10% allowance for professional fees is felt more reasonable. If a higher percentage for professional fees was included within the viability Assessment for Older Peoples housing this would reduce viability of older persons housing if considered.

#### Profit

The NPPG is clear that potential risk is accounted for in the assumed return for development and assumed to be between 15-20% of gross development value for plan making purposes but alternative figures may be appropriate for different

development types and typologies (Para 018 Reference ID:10-018-20190509). There are a number of inherent sector specific risks with older person housing which materially differ to that of general needs housing including an inability to phase and allow for risk reappraisal. Older Persons housing must be fully completed and operationally ready before sales commences as older people are less likely to buy 'off plan' without seeing for example the benefit of the communal facilities. The above provides a slower return on investment and a longer period of uncertainty in the market and cost exposure. An acceptable return for risk in respect of retirement living proposals such as this is not less than 20% of gross development value. This is consistent with the Inspector conclusions at Appeal for the McCarthy and Stone proposal at Redditch (Appeal Ref: 3166677), the Churchill Retirement Living proposal at Cheam (Appeal Ref: 3159137) and the Churchill Retirement Living scheme at West Bridgford (Appeal Ref: 3229412) in 2019.

It is clear from Appeal precedent that 20% return on gross development value represents the minimum acceptable return in respect of housing for older people proposals for the reasons outlined. If a higher percentage for profit was included within the Viability Assessment for Older Peoples housing, than the 17.5% used, this would reduce viability of older persons housing.

#### Local Plan costs.

In addition to typology specific costs, we also have concern as to the limited value that has been used for Biodiversity Net Gain within the Viability Assessment amongst other policy areas. The Council should note that on 27<sup>th</sup> July 2023 the price of statutory biodiversity credits were published (available from: Statutory biodiversity credit prices - GOV.UK (www.gov.uk)). This has enabled it to be determined how much BNG may cost and it is considered that the costs per dwelling put forward within the Viability Assessment have greatly underestimated the costs. In addition, brownfield site BNG costs are often more substantial than Greenfield but this very much depends on the site characteristics.

Regrettably, the Regulation 19 Viability Note – September 2024 has not included further testing for older persons' housing. The reason for this is found in paragraph 5.11 of the Viability Note which says that 'paragraph 10-007-20180724 of the PPG specifically anticipates that the viability of housing for older people will be considered at the development management stage. It is not necessary or proportionate to develop policies for all types of non-standard development'.

This is a fundamentally incorrect interpretation of the NPPG. Paragraph 007 of the NPPG on viability is highlighting nonstandard forms of housing which may not have been originally tested at plan level testing stage. In this case, the council went to the trouble of testing older persons housing. It is a nonsensical position to take to then disregard the results of that testing which is at odds with paragraph 001 of the same PPG guidance which states that different targets may be set for different sites and types of development following viability testing.

Paragraph: 002 Reference ID: 10-002-20190509 of the Viability PPG confirms that *'The role for viability assessment is **primarily at the plan making stage**. Viability assessment should not compromise sustainable development but should be used to ensure that policies are realistic, and that the total cumulative cost of all relevant policies will not undermine deliverability of the plan'* and that *'Policy requirements, particularly for affordable housing, should be set at a level that takes account of affordable housing and infrastructure needs and allows for the planned types of sites and development to be deliverable, without the need for further viability assessment at the decision making stage'.*

Paragraph 10-007-20180724 that was quoted in the viability assessment is an interpretation of the consultants that undertook the viability study. The paragraph referenced has been superseded in the viability PPG by Paragraph: 007 Reference ID: 10-007-20190509. This now states *'It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage'* and *'Such circumstances could include, for example where development is proposed on unallocated sites of a wholly different type to those used in viability assessment that informed the plan; where further information on infrastructure or site costs is required; where particular types of development are proposed which may significantly vary from standard models of development for sale (for example build to rent or housing for older people); or where a recession or similar significant economic changes have occurred since the plan was brought into force'*.

The Council should note that the viability of specialist older persons' housing is more finely balanced than 'general needs' housing. It cannot be simply regarded as standard housing.

When assessing the specific housing tenure requirements for older persons' housing, it is our experience that this will differ from mainstream housing, and it would be inappropriate for the council to apply generic affordable housing targets to older persons housing. Rather, a bespoke affordable housing policy with a reduced requirement is appropriate. As and when the viability related evidence is prepared, we would like the opportunity to engage in this process to ensure a workable policy is developed.

Our experience elsewhere of affordable housing provision is that it is commonly agreed that older persons' housing cannot provide full percentages of affordable housing or indeed often cannot provide for any affordable housing. More and more local planning authorities are acknowledging this position within local plans and exempting specialist housing for older people from providing affordable housing. This is the correct approach.

As an example, emerging policies in both 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.

#### 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.*

In addition, 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 have serious concerns over the validity of the testing undertaken given that few of the inputs applied within the testing reflect the actual typology. The result is a viability picture which is unlikely to reflect the type of older persons likely to come forward supported by the main providers of this type of housing. The PPG Viability section (Para 008) requires that where a viability assessment is submitted at the development management stage, 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. We are highlighting here that nearly all of the inputs applied within the plan wide viability assessment will differ.

Without greater clarification of the particular circumstances of retirement housing 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.

### **Recommendation:**

An Affordable Housing Provision policy should include the following:

***Schemes delivering housing for older people are exempt from delivering affordable housing.***