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Object

**Document Element:** Policy HC3: Affordable Housing**Respondent:** McCarthy Stone**Agent:** Miss Natasha Styes**Date received:** 29/05/2024 via Web**Summary:**

As a minimum flexibility should be provided within the plan for the older persons typology for the plan to be justified and consistent with its own evidence. The following could be introduced to paragraph9 of the policy 'Such an exceptional circumstance includes the provision of specialist housing for older people where viability is found to be more marginal'. In addition the Viability Assessment should be re-run, including the older persons housing typology properly, using the correct assumptions in line with the RHG briefing note. The outcomes of this update should be incorporated into the plan. See full rep for details.

**Full text:**

Policy HC3: Affordable Housing

Policy HC3 seeks 30% affordable housing on self-contained residential units regardless of use class. Some flexibility is provided in exceptional circumstances for developers to provide a financial contribution in lieu but this is not defined.

We note that a Viability Assessment has been published to support the plan entitled 'South Staffordshire Council – Viability Study – Local Plan 7' CIL – Draft Stage 1, October 2021, Dixon Searle ('Viability Assessment'). The Viability Assessment has tested specialist housing for older people in the form of both extra care and sheltered housing. This study confirms with respect to sheltered housing that:

'3.5.28 At this stage, our view is that such schemes are more likely to support AH based on a 20% or similar target than a higher level on PDL sites, which is the most typical context for developments of this type in our experience'.

And with respect to extra-care housing that:

'3.5.29 On current assumptions the results for this typology show significantly reduced viability, with higher still sales values needing to be assumed to cover the development costs'.

Whilst we welcome that the Council have assessed older persons housing for viability and that this accords with the typology approach detailed in Paragraph: 004 (Reference ID: 10-004-20190509) of the PPG which states that 'A typology approach is a process plan makers can follow to ensure that they are creating realistic, deliverable policies based on the type of sites that are likely to come forward for development over the plan period.', we are concerned that given the advice within the Viability Assessment that no or little flexibility has specifically be provided to older persons housing. We therefore feel that more flexibility should be provided within the plan for the older persons typology and the affordable housing requirement should also reduced to 20% for the older persons housing typology.

Notwithstanding the above comments and whilst we welcome that the Council have tested the older persons typology within the Viability Assessment we have some concerns over a number of the specific assumptions that have been used within it for sheltered and extra-care housing. If these assumptions are amended, it is likely that older persons housing will be found to be less viable and a separate even lower threshold or exemption from affordable housing for older persons housing should be introduced to the plan. These concerns are discussed below.

Initially, we would direct the Council towards 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') available from <https://retirementhousinggroup.com/rhg/wp-content/uploads/2017/01/CIL-viability-appraisal-issues-RHG-February-2016.pdf>. 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. These key variables include unit size, unit numbers and GIA, non-saleable communal space, empty property costs, external build cost, sales values, build costs, marketing costs and sales periods.

In presenting this submission, it is also relevant to note that McCarthy Stone which has traditionally developed retirement housing schemes for the middle market where it has proved more viable to do so, is, through its new "Evolve" housing concept better able to develop in lower value areas, where the market and planning conditions are right, thereby addressing a housing need for older people who have until now, not had this beneficial housing option available to them.

For clarification, specialist housing schemes for older people tend to be delivered on small brownfield sites of up to 0.5 hectares. They are based around communal facilities and community living and delivered on smaller sites. Older persons housing therefore differs from a standard model of development because, as confirmed within the PPG (Paragraph: 010 Reference ID: 63-010-20190626), it generally has additional facilities. Such facilities tend to be different depending on the type of specialist housing for older people (and provide different viability challenges and are defined separately within the PPG (Age restricted housing, retirement living or sheltered housing, extra care housing or housing with care, residential care homes and nursing homes). Facilities provided include extensive communal areas, such as space to socialise, a wellbeing centre as well as a care service with 24-hour access to support services and staff, meals are also often available. This enables residents to live much more independently than they would otherwise.

### Unit numbers / dwellings per hectare

We note that Appendix 1 of the Viability Assessment (stage 1) confirms that the following scheme has been modelled:

- A private sheltered/retirement scheme of 50 units on a brownfield site at a density of 125 dwellings per hectare (a site area of 0.4 hectares)
- An extra care scheme of 60 units on a brownfield site at a density of 125 units per hectare (site area of 0.48 per hectare)

The RHG briefing note recommends using a density of 100-120 dph for sheltered housing and 80-100 dph for extra care housing.

### Recommendation:

The density of any scheme modelled should therefore be reduced in line with the RHG guidance note.

### Unit Size

We note that the viability study has set unit sizes at the following level:

- 1 bed sheltered - 55 sq m
- 2 bed sheltered - 75 sq m
- 1 bed extra care – 58.5 sq m
- 2 bed extra care – 76 sq m

The Viability Study should note that typical unit sizes are different for sheltered and extra care housing and are generally as follows:

- 1 bed sheltered - 55 sq m
- 2 bed sheltered - 75 sq m
- 1 bed extra care - 60 sq m
- 2 bed extra care - 80 sq m

### Recommendation

The unit sizes of schemes should therefore be amended as above.

### Sales and marketing costs

We note that the Viability Study has used a sales and marketing cost of 3%. However, as detailed within the RHG Briefing Note sales and marketing costs for older persons housing schemes are typically 6% of GDV and this should be used within the older person's modelling rather than the 3% level for general housing.

### Recommendation

Increase sales and marketing costs for sheltered and extra care schemes to 6% of GDV in line with the recommendation within the RHG Briefing Note.

### Sales periods / void / Empty Property Costs

As discussed in the RHG Briefing Note, sales periods of older persons housing schemes are typically longer for retirement and extra care housing than general needs housing. There is a typical 18 month build period before sales can commence. Sheltered and Extra care schemes cannot be phased but must be fully operational and completed from month 1 of sales / occupation. As detailed within the RHG Briefing Note, once sales commence a rough guide is that 40% of units will be sold at the end of the first year of sales, 30% during the second year of sales and 30% during the third period. This should be considered further within the viability modelling as it is not clear what sales period has been used.

As a result of the above sales / void period there is an empty property cost that covers Council Tax liability on unsold units and service charges. For plan making purposes it is recommended that a standard allowance of £5,000 per unit is assumed as a typical average cost – to cover Council Tax liability on unsold units and service charges (which will be applicable to whole building from day first resident moves in). The figure rises to £10,000 per unit for extra care accommodation to reflect higher costs particularly in maintaining care, communal and catering facilities, staff and services and reflecting a slower sales rate than Retirement Living. We note that currently £2,000 per unit has been used for sheltered housing and £5,000 has been used for extra-care housing however these should be increased based on the recommendations above.

### Recommendation

- Incorporate sales periods within the Viability Study in line with the RHG Briefing Note that states '40% of units will be sold at the end of the first year of sales, 30% during the second year of sales and 30% during the third year'.
- Incorporate empty property costs into the Viability Assessment at a rate of £5,000 per unit for retirement living and £10,000 per unit for extra care.

### Developer Return

We note that a developers return of 17.5% of the value of market housing and a 6% is applied to the value affordable housing. 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 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 and more recently for the McCarthy Stone proposal at Sale (3325034) in December 2023.

It is clear based upon 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.

**Recommendation:**

Increase developer return for sheltered and extra care housing to 20%.

**Cost of Biodiversity Net Gain**

In addition to typology specific costs, we also have concern as to the limited value that has been used for Biodiversity Net Gain (BNG) within the Viability Assessment amongst other policy areas especially with regard to BNG costs on previously developed land. The Council should note that on 27th July 2023 the price of statutory biodiversity credits were published (available from Statutory biodiversity credit prices - GOV.UK ([www.gov.uk](http://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 Study 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. As a result of credit prices having been published, the Council should re-run the Viability Study that includes a more realistic assessment of BNG costs and if necessary, reduce the BNG and affordable housing requirements accordingly.

The Council should note that the PPG on viability was recently updated and this confirmed at paragraph 12 Reference ID: 10-012-20240214 that 'Assessment of costs should be based on evidence which is reflective of local market conditions. As far as possible, costs should be identified at the plan making stage. Plan makers should identify where costs are unknown and identify where further viability assessment may support a planning application' and that 'the total cost of all relevant policy requirements including contributions towards affordable housing and infrastructure, Community Infrastructure Levy charges, biodiversity net gain (as required by Schedule 7A of the Town and Country Planning Act), and any other relevant policies or standards. These costs should be taken into account when defining benchmark land value'.

**Recommendation**

The cost of BNG should be increased to a more realistic level.

**Change suggested by respondent:**

**Recommendation**

In order for the plan to be justified the following actions should be undertaken by the Council:

- As a minimum, given viability concerns expressed with the Council's Viability Assessment flexibility should be provided within the plan for the older persons typology, for the plan to be justified and consistent with its own evidence. The following text could be introduced to paragraph 9 of the policy:

Such an exceptional circumstance includes the provision of specialist housing for older people where viability is found to be more marginal.

- The Council should re-run the Viability Assessment, including the older persons housing typology properly, using the correct assumptions in line with the RHG briefing note and as discussed above. Once this is undertaken the outcomes of this updated Viability Assessment should be incorporated into the plan.

**Legally compliant:** No

**Sound:** No

**Comply with duty:** No

**Attachments:** None