Proof of Evidence – Financial Viability.

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1 QUALIFICATIONS & EXPERIENCE

1.1 I am Richard Garside, a Director and Head of Development Consultancy at Newsteer, a start-up business of like-minded professionals based in Farringdon, London EC4A with national coverage.

1.2 I am a member of the RICS qualifying as a Chartered Surveyor in 1992 whilst working at GL Hearn where I undertook a number of roles up until leaving to join Newsteer in 2019.

1.3 Initially I was a member of GL Hearn's Professional team and subsequently was instrumental in the establishment of the large retail space team, and a dedicated petrol filling station consultancy for GL Hearn. In 2003 I helped establish GL Hearn's Development Consultancy team and became the leader of a 40 strong team.

1.4 I have been involved in the identification and acquisition of sites for large mixed-use developments, advising on all aspects of these schemes with regard to the design and added value process from their inception through to delivery.

1.5 I am an RICS Registered Valuer and am responsible for all aspects of financial viability work for clients and provide advice on the use of financial models in the planning process to ensure development deliverability.

1.6 I act for a number of retirement village providers and have provided viability evidence on their behalf at a number of planning appeals.

1.7 Newsteer has brought 10 shareholders, including myself and a total of 32 people, together in a dynamic, market leading practice with over 350 years of experience between us.

1.8 My CV is attached as Appendix A.

1.9 I understand my duty as an Expert Witness to the Inquiry. I have complied with that duty. The evidence includes all matters relevant to the issues on which my expert evidence is given.

1.10 I confirm that, insofar as the facts stated within my evidence are within my own knowledge, I have made clear which they are and I believe them to be true, and that the opinions that I have expressed represent my true and complete professional opinion.

2 INTRODUCTION & SCOPE

2.1 Newsteer was instructed by the Appellant, Castleoak Care Developments Ltd, in September 2021 to support the subject planning appeal with respect to the provision of financial viability expertise in relation to the age restricted housing market and the delivery of the development typology proposed. Prior to this I had been instructed to provide a Financial Viability Assessment for the scheme which was submitted with the planning application.

2.2 Within this proof I wish to focus on the following which I consider crucial for the delivery of Housing for Older People:

- The local authority have had some regard to the viability relating to Housing for Older People in their Local Plan preparation work. However, it is clear that they do not fully understand it and the proposals within the now failed local plan would not have ensured the delivery of this much needed housing typology.
- There are a number of viability constraints on the delivery of housing for Older People resulting in a continuum of reducing viability in relation to the types of housing as set out by ARCO with Extra Care Villages facing the greatest constraints, therefore being least viable and therefore being least able to compete in the land market.
- There is a minimum level of residential development required to support the significant level of facilities provided within a village of this type and therefore a village of this type could not be disaggregated onto a number of smaller sites.
- The development viability assessment provided to the Councils shows that the scheme is unable to deliver further planning benefits sought by the Council.
- The Council requires a shift in its policy towards the provision of Housing for Older People if it is going to be successful in meeting the Needs for such product which it recognises are critical.

2.3 The application was refused by St Albans City & District Council ("the Council") on 26th May 2021 and three grounds for refusal of the appeal scheme were given. My evidence will deal with the viability of developments for Older People which relates to grounds for refusal No. 1 and 3 which state:-

1. The proposed development would comprise inappropriate development in the Green Belt which would cause in principle and actual harm to the openness of the Green Belt. The proposed development by reason of the quantum of development, together with the size of the assisted living building would be harmful to the character of the wider area. The case made for very special circumstances, together with the contribution towards the provision of housing is not considered to overcome this harm. As such the proposal is contrary to the NPPF 2019 and to Policies 1, 69 and 70 of the St Albans District Local Plan Review 1994.

3. In the absence of a legal agreement to secure contributions towards; Community facilities, Travel Plan, bridleway improvements, footpath improvements, NHS Services, Highway projects, affordable housing, occupancy limitation, first marketing limitation the development fails to adequately mitigate its effect upon local services and infrastructure and secure the identified 'very special circumstances'. As such the development fails to comply with Policies 1 and I43B of the Local Plan and the NPPF 2019.

2.4 In order to comment on the focus issues set out above in para 2.2 this Proof will cover the following aspects of viability in relation to this appeal:

- Firstly, National Planning Policy, the requirement for viability testing at the plan making stage, the concern that developments of this typology are not being correctly tested, that they are misunderstood by Councils and that as a result the ability of developers/operators to deliver such proposals is compromised.

- Secondly I will consider Age Restricted Development Typologies, viability/deliverability in general terms in relation to Extra Care Retirement Communities of the typology which my clients intend to deliver.
- Thirdly I will give evidence in respect of the issues which impact on viability/delivery.
- Finally I will consider the viability of the appeal scheme itself and how this limits its ability to contribute towards the items set out in ground 3.

3 Policy and the position on the Delivery of Extra Care Housing

3.1 The National Planning Policy Framework (2018) and Planning Practice Guidance on Viability (2019) set out that affordable housing policies are subject to viability testing at, ideally, the plan making stage and/or the application stage. In this case a viability assessment was undertaken by the Council; St Albans Community Infrastructure Levy and Emerging Local Plan Viability Study dated November 2017 was undertaken by BNP Paribas (BNPP). While the assessment does consider developments of housing for older people generally including a 30 unit Retirement and 30 unit Extra Care scheme, neither of these schemes are reflective of the typology of the appeal scheme proposed.

3.2 The Extra Care scheme considered in the BNPP study is a significantly smaller, 30 unit, higher density scheme on a circa 1acres site compare with the subject scheme which is 124 units on 9.6 acres of greenfield/plant nursery land. BNPP comment that "*As with retirement housing it is recognised that Extra Care developments have significantly different viability considerations to standard residential dwellings. These arise due to an even lower gross to net ratio of such developments than retirement housing (due to the need for more communal facilities) as well as the additional time that it takes to sell the accommodation due to the restricted market for that type of unit. In our experience such units also achieve premium value*." They go on to say "*The results of our appraisals demonstrate the viability of such schemes to be challenging" and it should be noted that their appraisals only deliver a positive land value with reduced levels of affordable housing and little or no CIL requirement*."

3.3 I have three major concerns about the viability testing undertaken at the plan making stage:

- Firstly the appeal scheme is in no way similar to the scheme tested; the issues related to; the unit mix, the significant amount of non-saleable build, and the time taken to sell the scheme are recognised but not dealt with fully and other viability constraints are not recognised at all within the local plan viability work undertaken and hence it did not test correctly the retirement village/community typology. Indeed, had such a small scheme been tested correctly it would have been totally unviable as a 30 unit scheme could simply not support the level of facilities proposed in a retirement village. A certain quantum of development in terms of unit numbers is required to support the ancillary facilities and to deliver extra care housing which impacts upon the Council's argument that extra care could come forward on smaller sites – for viability reasons this simply would not happen.

- Secondly BNPP recognise that there are viability challenges for Extra Care housing but do not recognise all of these and do not make sufficient allowance for these in their calculations and I feel therefore that the conclusions reached underestimate the viability issues and are incorrect.

- Finally, they consider the viability of property typologies in isolation so they consider an Extra Care Scheme against a Threshold Value to check if it is fundamentally viable but they do not look at this value against the value of general needs development and fail to recognise that retirement community developers have to compete in the market to buy land. If retirement community developments cannot compete then this type of accommodation will not be delivered. Hence in my view they do not consider the cumulative impact of planning policy on the delivery of 'Specialist Accommodation for Older People'. This is fundamental to delivery of any local plan.

3.4 My proof will consider the wider viability issues related to this type of development. My statement will demonstrate that due to the nature of 'age restricted' developments they are very often unable to provide a contribution towards affordable housing irrespective of whether such a contribution is required under planning policy. More importantly, such developments very often fail to achieve the same value as a policy complaint general needs residential development. This means that age restricted developments are unlikely to come forward in locations where there is acute general market housing needs, since general market housing schemes will generally always achieve a higher value. This is particularly the case where the Council relies on extra care operators competing on allocated housing sites to deliver such schemes.

4 AGE RESTRICTED DEVELOPMENTS

4.1 There are a number of differing types of developments for older people. These are very distinct from traditional residential developments. All provide specialist facilities but the level of facilities and care given can vary significantly as will the design of the development.

4.2 The government's 'Housing for Older and Disabled People Guidance (2019)' set out four types of specialist housing to meet the diverse needs of older people (Paragraph: 010 Reference ID: 63-010-20190626, revision date 26 June 2019):

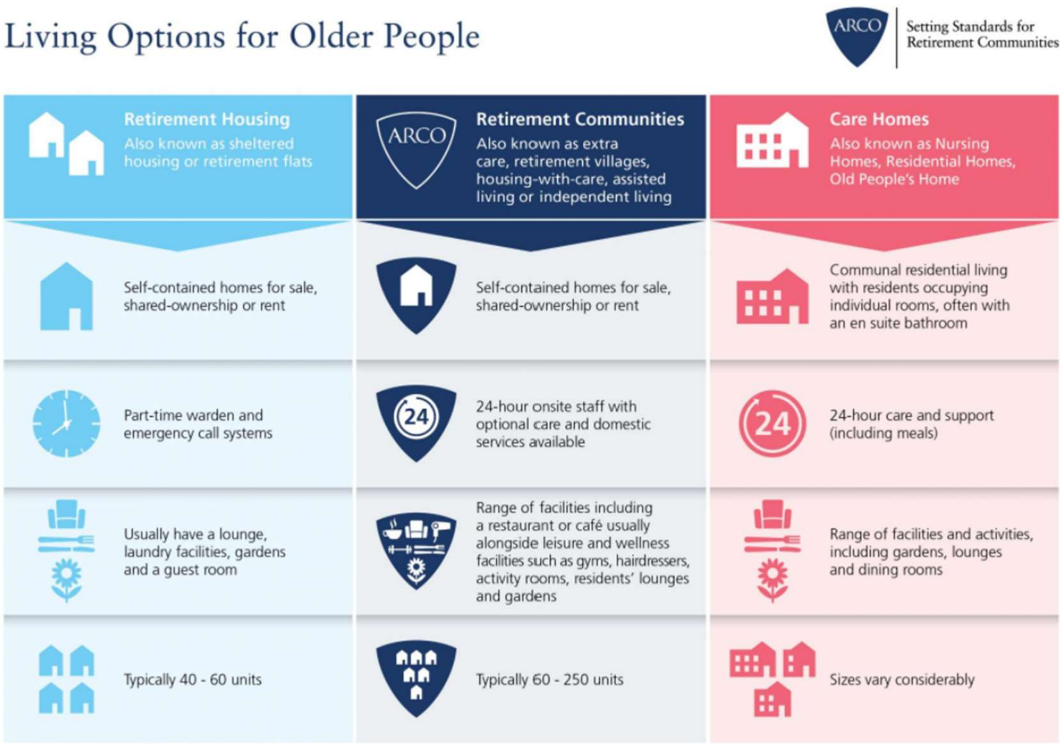
- **Age-restricted general market housing:** This type of housing is generally for people aged 55 and over and the active elderly. It may include some shared amenities such as communal gardens, but does not include support or care services.

- **Retirement living or sheltered housing:** This usually consists of purpose-built flats or bungalows with limited communal facilities such as a lounge, laundry room and guest room. It does not generally provide care services, but provides some support to enable residents to live independently. This can include 24-hour on-site assistance (alarm) and a warden or house manager.

- **Extra care housing or housing-with-care:** This usually consists of purpose-built or adapted flats or bungalows with a medium to high level of care available if required, through an onsite care agency registered through the Care Quality Commission (CQC). Residents are able to live independently with 24-hour access to support services and staff, and meals are also available. There are often extensive communal areas, such as space to socialise or a wellbeing centre. In some cases, these developments are known as retirement communities or villages - the intention is for residents to benefit from varying levels of care as time progresses.

- **Residential care homes and nursing homes:** These have individual rooms within a residential building and provide a high level of care meeting all activities of daily living. They do not usually include support services for independent living. This type of housing can also include dementia care homes.

4.3 Retirement communities may also be referred to as extra care and housing-with-care and the following image is from ARCO's website (https://www.arcouk.org/), which highlights the distinction between retirement housing, retirement communities (or extra care), and care homes.



4.4 The development proposed falls within the definition of extra care housing or Retirement Communities.

4.5 Further detail and elaboration on these categories is contained within Annex One to Mr Appleton's Needs Report.

4.6 The importance of the distinction from a viability point of view is that each typology has its own set of costs and values which apply and need to be considered and understood in order to fully understand the economics which apply in each case.

5 ISSUES AFFECTING VIABILITY

5.1 There are a number of issues that affect the viability of age restricted developments. These can relate to internal factors such as design efficiencies or external factors such as the market and competition with traditional / general needs housing.

5.2 In the private sector both retirement housing and retirement community developments predominantly operate on a sales model whereby an individual home comprising part of a managed development is sold to a purchaser by the developer/operator. Care packages (Assisted Living & Extra Care schemes) are separately provided, either by the operator or by a 3rd party care provider, at an additional cost.

5.3 Care Homes operate on an investment basis whereby the home is sold or let to an operator with individual residents paying for their room, board and care. Any lease to the operator (whether created by themselves or the developer if separate) is then often sold as an investment. Accordingly, the economics are quite distinct from 'for sale' age restricted developments. Given that the subject proposals do not include a Care Home I will limit this statement to the development viability issues affecting the sale of individual age restricted developments.

Design Efficiencies

5.4 The development and construction of houses is highly efficient as a purchaser is buying the entirety of the built house, including any external storage. Apartment blocks require shared bin stores, lobbies, corridors, stairwells, as well as cycle parking and lifts. These are outside the apartment and thus, within the constraints of a block, reduce its saleable space and in turn the efficiency of the scheme. In most Extra Care communities a proportion and in some cases all of the accommodation will be provided as apartments even in areas where general needs accommodation is generally provided as housing.

5.5 As set out in the section above all types of age restricted developments incorporate a significant provision of facilities in addition to the individual units themselves and the common parts found in general needs apartment blocks. In some very high value locations, such as Central London, additional on-site facilities (eg swimming pools) will be provided within a general needs development but this is rare.

5.6 As a result the 'efficiency' of age restricted developments, i.e. the floor spaces of individual units ('net) to the total floor space ('gross'), is significantly poorer than in traditional / general needs housing. The exact efficiency will depend upon the detailed design of each scheme and the number of units within it but in general I would expect the following design efficiencies:

Housing Type	Net:Gross Efficiency
Traditional / General Needs Houses	100%
Traditional / General Needs Apartment	85%
Sheltered Living / Retirement Living Apartments	75%
Extra Care Community – Mix of Apartments and Bungalows	70% -75% depending on size and mix.

5.7 The Retirement Housing Group Paper attached as Appendix C makes a similar point albeit that the efficiency shown for Extra Care is even poorer in this report at 60-65%.

5.8 As one can see developments of specialist housing for older people, in particular Assisted Living / Extra Care, have a significantly lower amount of saleable space compared with traditional developments. The precise efficiency will vary and where houses form part of an development of specialist housing for older people it will improve marginally but cannot achieve the 100% efficiency of traditional housing estates given the facilities provided. The inefficiency of older apartment schemes has led operators to seek opportunities for larger Extra Care communities which will be more efficient and I would therefore expect a more efficient ratio of 75% or even more in some cases reflecting the current trends for larger communities.

5.9 As a consequence of the net:gross ratio of developments of specialist housing for older people a comparatively lower total sales revenue for the same amount of built space is achieved making them less viable.

5.10 BNPP in its assessment as background to the Local Plan viability assessment adopted a 60% net to gross ratio in this respect. While it recognises the issue it shows their inexperience in this market and is not appropriate for the reasons I have explained.

Scheme Size

5.11 In view of the significant provision of additional facilities provided for the residents' well-being a retirement village needs to be of a certain quantum to be financially viable. As noted above the larger the village the more the net:gross ratio will improve. Current market thinking from clients who I act for in this market is that a minimum village size of circa 100 units is necessary to enable viable delivery of the overall scheme. This requirement for quantum has increased over the last two years. Indeed, I am currently working with clients currently considering villages on sites in excess of 300 units.

5.12 In order to allow for this quantum of development a significant size of site is required. In general developers will be seeking sites of at least circa 10 acres which adds to the difficulty when such sites are rare and competition with housebuilders is required. Hence the St.Alban's site is at the lower end of the range of viable sites for Retirement Village Development albeit the larger number of bungalows here compared with most schemes has improved the net:gross ratio.

Gross Development Values

5.13 Due to the facilities age restricted developments include, a sales premium (ie a higher sales value) can be achieved from prospective purchasers who value the benefits this provides. However, to overcome the differences in efficiency set out above, Extra Care schemes would have to achieve a significant sales premium against general residential apartments and an even greater one against general needs houses to achieve a comparative level of residual land value with these developments. The premium I have experience in the market is not at the level require to achieve a comparable land value mainly because the majority of prospective purchasers will come from the local area and therefore the price paid for the extra care unit has to reflect the value of the customers current property to ensure it is affordable to them. The level of premium will vary depending on the supply of similar extra care property in an area but in my experience of this market I would expect to see a premium of circa 10% on a £psf/m basis over similar quality new general needs housing.

5.14 In addition to the efficiency of units, the units are also significantly larger than general housing. National Described Space Standards (NDSS) benchmark minimum floor areas for general housing at 50sqm for a one bed and 61- 70sqm for a two bedroom unit. In comparison, the extra care accommodation far exceeds these standards in order to provide improved mobility access, storage and flexible living spaces. Apartments within schemes I have worked on recently range in floor area from just below 60sqm for a one bed to up to 100sqm plus for the larger two bedroom units. For the extra care bungalows/cottages the floors areas are also generous ranging from circa 110sqm to 140sqm. Within the appeal scheme there are 80 mainly one and two bed flats averaging circa 76sqm and 44 bungalows averaging 120 sqm. This means that if the same £/psft/m value is applied to these units as to general housing a significantly higher unit price will result. So far example a purchaser might have sold a three bed detached house of 90 sq m for £550,000 equating to £6111 psm. If this rate is applied to a bungalow of 120 sqm. the capital value would be £733,000, a considerable increase. This can prove a barrier to achieving the higher levels of value required to compete with general needs housing.

5.15 Deferred Management Fees (DMF) or Event Fees also need to be considered. The majority of operators in this market have a business model that requires those taking a lease to agree that a Fee is paid when their flat is eventually vacated, normally after their death. The charging of such 'event fees' is a feature of the majority of operators in this market and it is therefore right to consider for planning viability purposes.

5.16 The inspector in the Gondar Gardens Case (Appeal Ref: APP/X5210/W/18/3198746 Gondar Gardens Reservoir, Gondar Gardens, London NW6 1QF) considered the need to include the DMF within the value of the scheme and concluded that an element of the DMF could be reflected in the value of the scheme when deciding how much it could afford towards affordable housing.

5.17 Based upon my experience of the market, I would suggest that an average fee of up to 10% of the sale price when an occupier decides to sell their home is the market norm. The initial fee on first purchase would be zero but this then increases up to this level usually over the first five years of occupation at circa 2% per annum and after that the occupier would pay the full amount. In the Gondar case the inspector references a report by a firm specialising in finance for healthcare and retirement living (Conaghan Healthcare and Corporate Finance: Retirement Communities and 'Event Fees', June 2016). The report confirms that event fees are becoming commonplace within the 'retirement community' sector and suggests that the majority of these are set at 10% or less.

5.18 However only a proportion of this fee can be taken into account in consideration of the GDV of the scheme at the outset as it is designed to cover a number of costs. Extra Care villages require long term investment which will not be covered by the service charge. Service charges may pay for repainting corridors, communal areas, landscaping etc and the sinking fund included within the service charge means that if roof needs replacing, there is money for that. However longer term investment needed to maintain the villages value and attractiveness as a place to live in retirement will be required which cannot be covered by this service charge. For example; at some point in future every car will be electric and will need additional electricity sub-stations and electric charging points installations. This is just one example of the sort of costs retirement villages built in recent decades will face and it cannot be known now what similar challenges will be faced over the term of a long lease and beyond.

5.19 Many operators also carry out a complete refurbishment of a property once it becomes vacant and prior to re sale to ensure values within the estate are maximised. The average cost of this to the village clients I currently work with is circa £12,000 per unit. The communal services which have to be provided upfront are a considerable cost to the development in terms of both the provision and the interest thereon until units can be sold. This is not covered by the sale price of the properties and the DMF helps to pay towards these and thus an element of the fee can be included reflected in the GDV value. The operation of the amenities and services within retirement villages are not materially profit-making, being either based on a cost-recovery service charge model or a management fee model with minimal profitability. Given the operational risks associated, which are far in excess of those for a standard portfolio of managed rental accommodation, an additional role of the DMF is to offset this risk which would otherwise be commercially insupportable.

5.20 As yet there is no common market practice which can be referred to in valuing the DMF. RICS guidance with regard to viability assessments makes it clear that benefits or disbenefits unique to the applicant should be disregarded other than in exceptional circumstances. Whatever we add in has to be appropriate to the market as a whole and also has to be in line with the evidence from which the base value for the unit is drawn.

5.21 Following discussions with various operators I have created our a model in order to arrive at the value of the DMF. This considers:

- Scheme Build out and the average length of time to maturity for villages
- The average length of tenancies at villages
- Growth in market value
- The discount rate applicable
- The level of reinvestment required

5.22 Based on the above the model suggests that the addition to the base market value of properties will be in the order of 5-7.5%. In terms of carrying out viability testing for plan making purposes I would suggest that it would be prudent to allow no more than a 5% addition to reflect the potential for DMF. In the case of the appeal property I have calculated an addition of approximately 5% as being appropriate further details of which are included within the scheme viability assessment included at Appendix B.

Construction Costs

5.23 Notwithstanding the need to build a larger scheme to achieve the same sales space, age restricted developments are more expensive to construct than general residential housing. Firstly any flatted development is more expensive to construct due to the proportionally higher costs of a larger structure, noise insulation, incorporating car, cycle and bin storage (which often cannot be put into a separate, cheaper structure), and higher proportion of bathrooms and kitchens which cost more to fit out. Secondly, age restricted developments cost more to construct compared to general developments as they will often include lifts (even if only two storey), specially adapted bathrooms, fitted out treatment rooms and other specialist items such as underfloor movement sensors etc.

5.24 For Local plan and CIL viability work local authority advisors will often rely on average price reports from the Building Cost Information Service (BCIS) provided by the RICS. This is the case with the BNPP report. We attach as Appendix D The BCIS costs for St Albans.

5.25 It should be noted that the BCIS Costs for 'Supported Housing' include homes for those with learning difficulties which do not require the same level of care facilities. Likewise BCIS do not provide a separate cost for Sheltered / Retirement Living developments in comparison to Assisted Living / Extra Care which require additional expensive facilities. Accordingly the cost differential compared to residential housing is likely to be larger for Extra Care developments than reported.

5.26 For this reason I would always suggest that when considering Extra Care viability practitioners should adopt the upper quartile of the BCIS costs and compare this with the median quartile for good quality general needs housing. The rates shown for St. Albans are £2,014per square metre (psm) for 2 storey housing, approximately 43% higher than Flats (£1,411 psm) and 58% higher than 'Estate' housing at only £1,272psm.

5.27 I would note that even at these levels in our experience the costs for Extra Care villages can often be higher.

5.28 BCIS costs do not account for external works such as service connections or landscaping which is proportionally higher for housing estates. In my experience I would apply approximately 10% of costs for external works to flatted developments (whether age restricted or for general needs) and 15% for housing led schemes. Extra Care schemes have very high levels of design quality and significant open space as this part of what the community will be buying into. Based upon my experience to date external works costs of 15-20% of the base cost are appropriate for Extra Care village schemes.

These higher construction costs are compounded by the aforementioned reduced efficiency of age restricted developments. The increased costs are shown below across a range of housing types:

	Housing Estates	Residential Flats	Retirement Living	Extra Care Village
Net Sales Area	100	100	100	100
Efficiency	100%	85%	75%	75%
Gross Internal Area	100	118	133	133
BCIS £/psm Costs	£1,296	£1,411	£1,553	£2,014
Plus Externals @	15%	10%	10%	15%
Total £/psm Costs	£1,490	£1,552	£1,708	£2,316
Total Costs	£149,040	£182,600	£227,773	£308,813
Difference to Housing	**0%**	**23%**	**53%**	**107%**

5.29 In order to back up the levels suggested above for Extra Care the following are details of a number of sites which my client has current pricing or tender costs for. These figures are inclusive of external works and it will be noted that the average exceeds the above figure:

	No of Apts	Type	£per m2
Project 1	2nd phase of 151 units	Luxury Scheme	2,680
Project 2	53	Upper Market Scheme	2,466
Project 3	80	Upper Market Scheme	2,370

5.30 Another operator client also has a number of projects recently tendered or currently on site the base build costs excluding external works for which may be compared with the BCIS rates and are as follows:

	No of Apts	Location	£per m2
Project 1	143 in three phases	Cheshire	2,162
Project 2	64	Kent	2,214
Project 3	86	Bedfordshire	2,305

5.31 The same client has a further project which has recently been tendered. The contract is in the process of being awarded with the winning contractor having bid at a base build cost equating to £2,175 psm. The average of the above scheme build cost excluding external works is in the order of £2,214 psm.

5.32 It will be noted that the majority of the above information refers to smaller unit numbers. This is because most operators of Retirement Villages will build out in phases to control cash flow and in order to reduce the overall costs of development. Phases tend to be let on individual build contracts.

5.33 The most recent viability assessment that I have concluded was based upon a build costs from the QS responsible for the scheme which equated to £2,260 psm (£210 psf) as a base build cost prior to additions for external works , utilities and other additions which will general include a ground source heat pump solution for the heating element and other sustainability related items such as electric car charging points etc.

5.34 Reflecting all of the above, for viability testing purposes in the current market I would adopt a minimum base build cost of £2,153 psm (£200psf) and make further allowances in respect of external works and any strategic site infrastructure. This is in excess of the amounts arrived at by my clients QS and adopted within the scheme viability assessment included within Appendix B albeit that these costs are now some 9 month old which would account for the difference.

5.35 Finally, many of the house builders (i.e. the larger well known companies such as Barratts, Redrow, Crest Nicholson etc), as the name suggests, build their houses themselves through their own construction arm. Conversely most developers of specialist housing for older people do not have the scale that enables them to employ their own in-house team and they must appoint a third party contractor. As a result the house builders are able to secure more competitive construction rates in comparison to the figures reported by the BCIS.

Professional Fees

5.36 In addition to the cost of building any scheme professional fees will need to be expended designing, securing planning and undertaking technical work. Housing estates are often designed around an existing set of plans based upon a house builder's product types; such that anyone can see the same home at many different sites. Accordingly fees only need be expended to place these designs within the specific site's setting and make any adjustments for local materials or the planning conditions.

5.37 The majority of Extra Care schemes include an element of apartments and any apartment development is ultimately a bespoke product requiring it to be individually designed by Architects with appropriate input from allied professionals (Quantity Surveyors, Planners, Environmental Consultancy, Mechanical & Electrical Engineers, Structural Engineers etc) which increases its cost.

5.38 In addition, the design of Age Restricted Living products and particularly Assisted living/Extra Care has to be high to try and recoup some of the additional build costs by way of improved sale values.

5.39 Age restricted developments will therefore require a greater level of professional input than a general needs housing scheme in order to ensure the scheme meets the specific needs of its intended occupants as well as the need to design the additional facilities that these schemes have. For this reason it is my opinion that the rate adopted for Extra Care schemes should be higher than that which is adopted for general needs schemes.

5.40 In the majority of local plan viability assessments we see Professional Fees set at circa 9-10% for General Needs residential and therefore I am of the opinion that a minimum rate of 10% for plan viability testing is appropriate for Extra Care schemes and that this should always be higher than the rate used for the General Needs housing tests. In their local plan assessment BNPP adopt 10% in respect of both General Needs and Retirement Housing which fails to recognise the viability differences.

Construction Rates

5.41 Because of its design any apartment block must be fully constructed before the sale of a single unit can be completed. As a result, the capital cost of the block must be financed in its entirety. An age restricted development, in particular Extra Care schemes, with their additional construction costs and facilities (which must be completed in time for the first occupation) therefore entails a greater funding burden than a general needs development where housebuilders will build a small number of houses and sell these prior to moving on to the next builds.

5.42 In both cases this will result in all of the units within a block coming onto the market at the same time increasing the supply versus the static demand and thereby having a negative effect on values. Clearly a mix of housing and flats will improve matters however based upon my operator clients experience it is still the case that buyers for this type of product prefer to see the end product and are far less likely to buy off plan.

5.43 Conversely a housing estate can be built out on a rolling basis such that a small number of homes are started at any one time before moving onto the next set. This results in the sales of the completed houses funding the construction of the next set and so forth thus reducing the financing cost of the project significantly. This also has the effect of restricting the supply of homes on the market at any one time.

5.44 Furthermore, this rolling construction programme can be adjusted to meet market expectations (if sales rates slow due to outside circumstances, such as the recent global pandemic, the construction rate can be reduced) whereas apartments must be completed in their entirety. As a result, general house building is fundamentally a less risky venture which is reflected in finance costs which are significantly lower and profit expectations which are also lower.

Start Up Costs / Empty Property Costs

5.45 As the facilities within an age restricted development assist in residents' well-being, in the case of Assisted Living / Extra Care, their day to day care needs must be fully operational before the scheme can be occupied.

5.46 Once completed any facilities within a development will need to have their operational costs covered. This is achieved through a service charge paid by residents. However, the amount chargeable to any one owner is only proportionate to the development at full occupation. Accordingly, the developer has to cover the cost of any unsold units which is significant particularly at the outset of the sales programme.

5.47 In addition to the service charge, as units have to be completed to encourage purchasers the developer will have a Council Tax liability for the sales period which again is likely to be considerable given the sales period.

5.48 As most general needs residential schemes do not have additional facilities developers of such schemes do not face this cost burden. Even where schemes do include additional facilities (such as swimming pools) their operational start can be delayed until a certain level of occupation is achieved. Furthermore, due to the differences in the market, the sales rates of general needs housing is faster and thus any Empty Property Costs are further reduced.

5.49 These additional costs have an added impact on the finance costs for the scheme.

Sales Rates

5.50 By their nature, age restricted developments are limited to those over the age of 55 or indeed often older – 65+ in many cases. As a result, this significantly limits the market for potential purchasers in comparison to general needs housing which carries no age restrictions whatsoever. Considering moving away from the family home is a sizeable decision and because of a prospective purchaser's age and care needs, any sale is likely to involve additional family members, predominately their children, who will also need convincing that a property provides the best place for their parent(s) to live out their remaining years (and as importantly without eroding any inheritance)s. Accordingly, the sales rates of age restricted developments are much slower than those for general needs housing which increases their finance costs and decreases the Internal Rate of Return. Extra Care developments are further impacted as such schemes are limited to purchasers with care needs.

5.51 In addition, given the importance of the decision and often the involvement of the whole family, buyers will want to see the finished product and the quality of the community facilities being provided. This means that the facilities must be available prior to sales and that off plan sales are not commonly achieved at such developments. The build out programme for a Retirement Village/Community will ensure that there is a constant supply of finished units but the phases will not usually overlap. Hence the build of the second and third phases will be timed to complete in line with the sale of the last unit in the previous phase.

5.52 In contrast general needs residential schemes are not restricted by age or care requirements and are open to all who can afford them; including the elderly who often resist a move to specialist housing despite their existing homes becoming increasingly inappropriate to their needs. Consequently, these developments are able to sell at a much faster rate providing another competitive edge that age and care need restricted developments struggle to match.

5.53 BNPP in their work to support the Local Plan recognised that sales rates are slower than those for general needs housing in their viability work adopting 3 sales per month compared to 4-5 for general needs housing. In my view they do not make sufficient allowance and rates are in fact slower than they suggest. Recent discussions with agents on extra care sales schemes suggest sales rates closer to 2 per month as being the norm.

Sales & Marketing Costs

5.54 A significant cost in any development is the cost of sales. Only the smallest developments can rely solely upon an estate agent to sell the units at an acceptable rate. Most schemes will require a significant degree of marketing including a manned sales office and show home.

5.55 The increased sales period faced by age restricted developments means that the sales office has to be manned for longer which increases its cost relative to general needs housing. Furthermore, in order to secure the support of family members, additional time will need to be spent with each family which also increases costs. Additionally, less mobile purchasers will be met at their home further increasing the time and expense required to sell each unit relative to general needs housing developments.

5.56 On average a typical market housing scheme might cost circa 3% of the developed value to sell compared to 5% -6% for an age restricted development.

5.57 BNPP in their work to support the Local Plan failed to recognise this in their assessment of an Extra Care scheme adopting the same sales costs as adopted for general needs housing of 3%.

Risk Return / Profit

5.58 Profit is widely considered as an output of any development which is collected at the point a scheme is completed. However, when determining what they are prepared to pay for a site a developer will have to consider their profit requirement. Once this (together with the costs of construction, professional fees, finance etc) is deducted from the expected revenue (i.e. sales values) the residual is the amount that can be paid for a site. This is known as the Residual valuation method.

5.59 Any profit requirement that a developer seeks is carefully balanced between the need to secure highly competitive and limited development sites versus the risks of a potential project. As a result of the issues raised above (higher construction costs, slow sales rates etc) funders of age restricted developments often require a greater 'hurdle rate' compared to general needs housing.

5.60 The governments' Planning Policy Guidance at Paragraph: 018 Reference ID: 10-018-20190509 sets out that "For the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies". The level of profit will vary depending on risk with housing estates normally at the bottom of this range, standard flatted developments in the middle and age restricted or other complex developments (e.g. tower developments) at the top. This further reduces the competitiveness of operators of age restricted development in the market for land.

5.61 BNPP in their work to support the local plan adopted the same rate for the developer's profit requirement in relation to C2 developments that was adopted for general housing. This was inappropriate for the reasons I have explained.

Summary

5.62 The impact on viability of the above issues is that ultimately purchasers of Age Restricted Development sites are highly unlikely to be able to pay the same price for land as residential developers. There is a continuum of reducing viability in relation to housing types with Age Restricted Retirement Housing less viable and therefore less able to pay for land than General Needs housing and Extra Care Retirement Communities being even less viable and able to pay for land than Retirement Housing. Accordingly, it is much harder for Age Restricted Operators/Developers and in particular those seeking to deliver Extra Care to secure sites for development and meet the housing needs they aim to supply.

5.63 In the draft Local Plan, the Council recognises the need for housing for Older Persons stating a need for at least 500 bed spaces of residential care, nursing care and similar C2 and 250 Flexi-care and similar C3. Flexi Care is the name the Council adopt for Extra Care. Proposals for the Broad Locations require 50 bed C2 and 50 bed C3 developments as part of wider residential schemes. It also suggests that 40% affordable housing will be required in respect of these despite the viability advice received. The local plan fails to recognise the viability issues and that if left to compete on housing allocation sites such developments will simply not come forward particularly if required to deliver affordable housing.

5.64 I believe that it is imperative that Local Authorities fully test the ability of different sectors of the elderly housing market to deliver planning benefits and remain able to compete for sites to ensure planning need is met. This testing must be rigorous and with a full understanding of the economics which relate to this class of property. Where it is clear that this use will struggle to compete against general needs housing in the market and in particular in areas which are short on land supply, as St Albans is, I would suggest that local planning authorities in such areas need to be more proactive in order to deliver development to meet needs i.e. they will need to specifically allocate sites for this use. If this is not done and Authorities rely on the market to bring sites forward and viability assessments at the decision taking point in the planning process it is far less likely that sites will come forward for this much needed use.

6 EVIDENCE OF THE ISSUES

Personal Experience

6.1 Attached as Appendix E is a schedule of Financial Viability Assessments of age restricted developments overseen by myself at GL Hearn and Newsteer. These vary between retirement living and assisted/extra care schemes as does their planning use class. Some of these have been subject to refusals on other grounds (i.e. the issue of affordable housing and viability having been resolved).

6.2 In each case our assessment was independently reviewed by a consultant appointed by the Local Planning Authority. The need for, and extent of, additional discussions between the parties varied but in all but one case it was agreed between the parties that the viability of the proposed development would not support any provision or financial contribution towards affordable housing. At Sleaford a small contribution of £150,000 was accepted by the applicant and was largely the result of cross funding from the retail warehouse park.

6.3 Clearly these examples are not exhaustive but do illustrate that, despite intense 3rd party scrutiny, age restricted schemes are very rarely able to provide a contribution towards affordable housing and have considerable viability constraints.

6.4 In his recent appeal decision at Sonning Common, (Appeal Decision APP/Q3115/W/20/325861) the inspector, Harold Stephens clearly recognised the issues affecting this development typology stating:

- Para 117. Extra care housing undoubtedly operates in a very different market. Mr Garside provided detailed evidence to the Inquiry how the market for land operates to the detriment of extra care operators. Extra care housing providers cannot compete with house builders or with other providers of specialist housing for older people because of the build costs, the level of the communal facilities and the additional sale costs including vacant property costs. The communal facilities must be provided before any units can be sold and sales tend to be slower. However, I accept that extra care schemes can charge a premium for the specialist accommodation provided and also benefit from an income from deferred management fees.

- Para 118. It seems to me that these factors, all mean that age restricted developments and in particular extra care communities are less viable than traditional housing schemes. Ultimately, age restricted developers are less able to pay the same price for land as residential developers and it is much harder for age restricted developers, and in particular those seeking to deliver extra care, to secure sites for development and meet the housing needs they aim to supply. Viability is clearly a relevant factor which supports the case under paragraph 172 b) of the NPPF. There is also a strong case for the appeal scheme given the lack of alternative sites in the light of Policy H9 of the SOLP.

6.5 Harold Stephens recognised that due to the viability issues relevant to the development of Retirement Villages they were very unlikely to be able to compete with housebuilders on sites which were not in areas such as Green Belt or in this case an ANOB where they would be competing with general needs housebuilders and that therefore this was a factor in allowing the appeal on a site within the ANOB. Likewise I am of the opinion that the need in the subject case allied to the viability issues, which are unlikely to allow sites to come forward elsewhere in the district, should form an important consideration in making a decision on planning in this case.

Local Plan Evidence Base

6.6 As part of the evidence base for the recent Local Plan study a Viability Study was undertaken by BNP Paribas on behalf of the Council; St Albans Community Infrastructure Levy and Emerging Local Plan Viability Study dated November 2017. Numerous property types and typologies were tested including Retirement Housing, Extra Care and Care Homes..

6.7 As noted earlier in this proof BNPP do recognise some of the issues facing developers of housing for the elderly and do comment that viability for Extra Care in particular is challenging.

6.8 I have noted that I have concerns in respect of some of the inputs to the BNPP work and that as a result their findings may be flawed.

6.9 What BNPP do allow for in terms of viability issues within their report are:

- The net-to-gross ratio compared to C3 apartment typologies which reduces the saleable area;
- The mix of units
- A slightly reduced sales rate (although in my opinion there adjustment is insufficient).

6.10 What they did not allow for is:

- The significantly larger unit sizes
- The higher costs of sales – The Retirement Housing Group report notes costs at 6% as against 3% for General needs housing which I would concur with.
- The significantly extended sales period – The Retirement Housing Group Report suggests an 18 month build followed by a three year sales programme. For a larger scheme such as the subject this could be double this.
- Build Costs applicable to Extra Care communities of the type my clients intend to deliver.
- Start Up Costs / Empty Property Costs
- Additional Professional Fees
- Risk Return / Profit

6.11 BNPP conclude that "The results of our appraisals demonstrate the viability of such schemes to be challenging"

6.12 Only at lower levels of affordable housing and excluding CIL do their scheme become viable. Clearly the additional factors they do not allow for would substantially reduce the viability further. In my opinion they would make the scheme totally unviable.

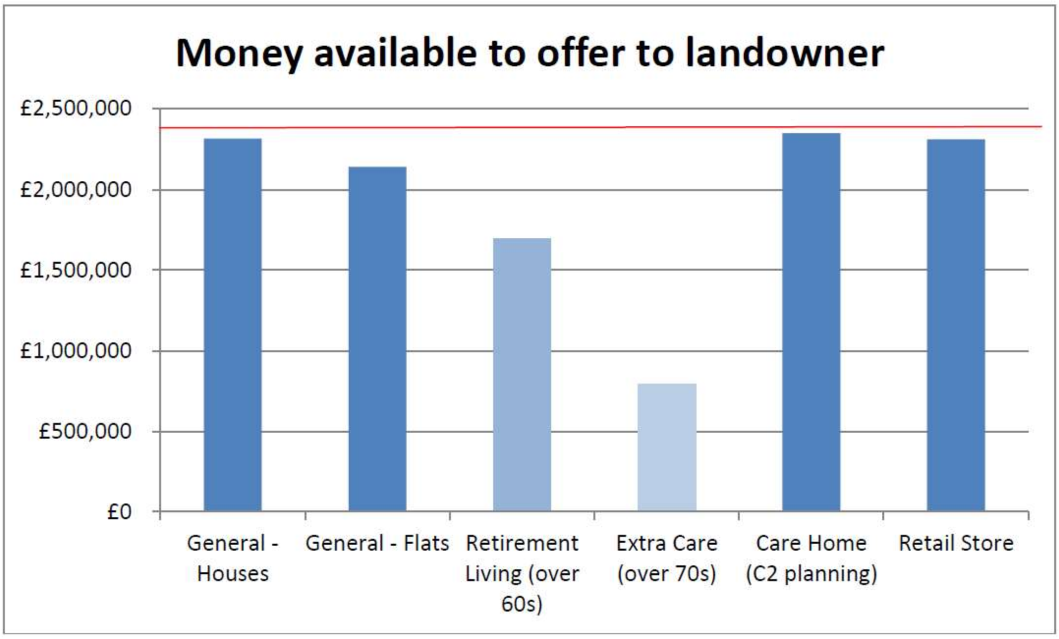
6.13 As noted previously a scheme of the size tested by BNPP is very unlikely to be viable as there is a minimum quantum of units required to support the significant facilities provided. This shows BNPP's lack of knowledge in this area of the market. It also shows that the Local Plan was not founded upon an appropriate understanding of the difficulties of delivering development to meet Extra Care (or Flexi Care as the Council call it) needs in this locality. The failed draft local plan itself failed to take account of the BNPP findings requiring 40% affordable. In the absence of specific allocations with reduced requirements for affordable housing sites will simply not come forward for Extra Care use but rather all will become general needs housing.

HBF Report

6.14 Attached at Appendix F is a report provided by the Home Builders Federation (HBF) Retirement Home Builders Group titled 'Challenges to Development in the Retirement Housing

Sector.' In addition to the need for and benefits of such accommodation it sets out the some of the challenges that currently exist in the sector. Many of the issues I have encountered and set out above are listed.

6.15 Included within the report is a useful worked example comparing age restricted schemes to other forms of development:



6.16 Much like the Local Plan Viability Study considered earlier imposition of affordable housing requirements make the age restricted developments perform poorly against other development types.

6.17 As the HBF report states '*it is hard for specialist retirement housing operators to compete for development land on the open market.*' In order to achieve the same value as other options, and thus be deliverable, the Extra Care scheme tested needed to completely remove the affordable housing requirement.

Parliamentary Committee Report

6.18 The House of Commons Communities and Local Government Committee recently (February 2018) report on 'Housing for older people'. Viability was specifically addressed by the committee (relevant pages included at Appendix G).

6.19 The evidence presented to the committee included the HBF report referred to above as well as oral evidence from McCarthy and Stone, Audley Retirement, Sunderland City Council, Demos and others. In the report it is stated that '*Claudia Wood of Demos said that economic modelling that she had undertaken for a forthcoming piece of research had shown that the planning charges on specialist housing "make a lot of developments completely unviable".*'

6.20 Furthermore '*We also heard that the "inconsistent and cumbersome" application of the C2 and C3 planning classifications to extra care housing was problematic for developers. Some local authorities apply the C2 classification…. Others classify this type of housing as C3, along with mainstream housing, which means full charges apply.*'

6.21 In conclusion the Committee stated that '*that the level of planning contributions on specialist housing…is impeding the delivery of homes.*' They recommended that Her Majesty's Government create a separate sub-category or planning use class to reduce the contributions required.

The Retirement Housing Group Paper

6.22 The authors make the point that for retirement housing to compete in the land market residual land value must be equal to the residual land value achieved for general needs housing. This is a point which BNPP fail to recognise in their work. This report is attached as Appendix C.

6.23 They test three schemes none of which can compete with General needs housing. The differences between General Needs Residential and Retirement Housing are noted to include:

- Larger communal and non-saleable areas
- Higher build costs per sq metre for older persons housing than for general needs housing due to higher specifications of individual apartments and buildings.
- While revenue per unit is typically higher for specialist older person housing than for general needs flats, revenue per sq metre is not necessarily higher
- A slower return on investment as schemes need to be fully completed before sales are made as older people are less inclined to buy 'off plan' without seeing a dwelling, the communal facilities and/or meeting staff.
- Higher marketing costs to reach this older age group for whom a move is a discretionary choice often requiring consultation with extended family. Marketing costs are typically 6% of GDV compared to 3% of GDV for open market housing.
- Greater financial risk as phasing is not possible as with general needs housing as retirement developments are often built as a single block, meaning a development must be built out before any return is possible
- Higher void costs as schemes take longer to sell than general needs housing and flats.

6.24 The conclusions reached were that:

- General needs housing was more viable than sheltered or Extra Care housing.
- Sheltered housing was more viable than Extra Care housing

6.25 The differences between housing types and conclusions reached are in line with our own findings.

Summary

6.26 The issues affecting the delivery of housing for Older People are clear through my personal experience the local plan work and various supporting reports. These difficulties and what they mean for industry can be summarised as follows:

- Age restricted developments and in particular extra care communities are less viable than traditional general needs housing schemes. Ultimately, age restricted developers are less able to pay the same price for land as residential developers and it is much harder for age restricted developers, and in particular those seeking to deliver extra care, to secure sites for development and meet the housing needs they aim to supply.

- In St Albans where there is an acute shortage of land for development, general housing developers will always outbid retirement village/community developers.

- The only means to secure Extra Care development to meet needs to is to allocate specific sites for Extra Care development.
- But the Local Plan has collapsed. There is no timetable for a new Local plan and no indication that it will in any event adopt a new approach of allocating sites for Extra Care use.
- As a result, the commercial realities are such that Extra Care is unlikely to come forward on any other site if planning permission is refused for the appeal scheme.

7 THE VIABILITY OF THE APPEAL SCHEME

7.1 A detailed Financial Viability Assessment considering the viability of the appeal scheme itself has been submitted to the Council as part of the planning application. The report and its findings were not disputed by the Council and I therefore assume are accepted by the them. The report is included as Appendix B.

7.2 Based upon the work I have undertaken it is my opinion that in view of the economics particular to the development of retirement villages/communities the subject scheme is not able to deliver affordable housing and remain viable and deliverable. I would also note that the land value delivered by the scheme, excluding any requirement for affordable housing, does not allow developers of this scheme typology to compete with general needs housebuilders who can deliver a policy compliant scheme and pay significantly more for the land. Hence developers are forced into seeking planning on greenbelt sites such as the subject site where general needs house builders will defer to bid due to the planning risks. In an area such as St.Albans where land supply is very low as evidenced by the Councils housing supply figures this is crucial as it means that opportunities for developers seeking locations for such developments are very limited indeed.

7.3 By way of comparison Site 14 of the BNPP local plan viability report considers a 50 unit residential scheme having a density of 40 dwellings per hectare which is the closest comparable general needs scheme considered. Allowing for a policy compliant 40% affordable housing and CIL at £250psm (the closest level tested to the rate of £245psm proposed by BNPP) the site shows a land value of £876,924 per acre (£2,166,880 per ha). This is significantly in excess of the subject scheme which is only marginally viable.

7.4 One might ask why the applicant wishes to develop such a scheme. The answer is simple their model is the development of housing for the elderly. They will seek sites to develop backed by an operator. As the contractor their profit from the development will be similar to the development of any other type of scheme and the important point of note is that they have the backing of an operator who's business is the running of such schemes. It is the operator who will take the hit in respect of the reduced profitability of the development. Therefore the fact there is an operator in place in this case is crucial.

8 CONCLUSIONS

8.1 As set out in this Statement age restricted products differ from general needs / traditional housing, whether this is in terms of the limited target market or differences in design. This results in significant additional development challenges which affect the viability of such schemes which have been addressed at length.

8.2 These issues are also illustrated by my personal experience of assessing age restricted developments, the Council's own Local Plan evidence base, the House Builder Federation report, the Commons Communities and Local Government Committee's recommendations and the Retirement Housing Groups paper.

8.3 With regard the Council's own viability work I note that this suggest that Extra Care may be able to deliver some level of CIL payment but only with low levels of affordable housing albeit that I call into question many of the inputs which have led to this conclusion. I also note that the reports appraisals clearly show that Extra Care developers cannot compete with general needs house builders in terms of land value.

8.4 My own assessment of the subject site suggests that it cannot viability deliver affordable housing or CIL and fails to compete with land values achievable by general needs housebuilders

8.5 A scheme of the typology proposed by my client has not been considered by the Council in their plan viability assessment.

8.7 In conclusion:

- The Local Authority has failed to recognise fully the issues surrounding the viability an delivery of Housing for Older People and in particular that for Extra Care.
- There is a continuum of reducing viability in relation to housing types with market housing most viable and able to deliver planning benefits, with Retirement Housing developments at a disadvantage and Extra Care developments at a greater disadvantage when competing for land. In view of this Retirement developers struggle to achieve the values required to obtain land for age restricted development. Without the assistance which can be achieved through the planning system developments such as this are highly unlikely to come forwards with in the St Albas area. This can only be addressed by the Council taking a proactive role in designating sites such as the subject site for this typology of use and through applying a zero CIL and affordable housing requirement to them.
- The quantum of development proposed, for the reasons set out herein, is the minimum level of development required to bring forward a retirement village of the typology proposed and hence this use, for which there is a significant need, could not be delivered elsewhere in the district on smaller sites as has been suggested by the Council.
- The development cannot viably make the contributions which the Council would like to see towards Community facilities, Travel Plan, bridleway improvements, footpath improvements, NHS Services, Highway projects, affordable housing, occupancy limitation, and first marketing limitation.
- The Council requires a shift in its policy towards the provision of Housing for Older People if it is going to be successful in meeting the Needs for such product which it recognises are critical.

Newsteer
REAL ESTATE ADVISERS

Proof of Evidence – Financial Viability – Appendices.

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APPENDIX A: RICHARD GARSIDE CV

Richard Garside
Development Director

BSc (Hons) Land Management

Member of the Royal Institution of Chartered Surveyors (MRICS)

Practicing from 1989

Richard has 30 years experience in the property industry and is a leading professional in the development consultancy field specialising in all aspects of scheme viability and delivery. He was leading player in the creation of GL Hearn's development consultancy business some 16 years ago and led for the team for the last 10 years before moving to Newsteer to head their Development Consultancy offer.

During his 30 years in the property industry Richard has advised clients across all areas of Corporate advisory work and over the last 18 years has provided high quality development consultancy advice. He has been involved in the identification and acquisition of sites for large mixed-use developments and advising on all aspects of these schemes with regard to the design and added value process from their inception through to delivery.

This advice includes; advice on land purchase, liaison with architects in respect of appropriate schemes to maximise value and deliverability, viability advice through the planning process, advice on disposal routes and scheme valuation advice. He has also been involved in putting together disposal strategies for clients with major surplus landholdings.

Richard is responsible for all aspects of financial viability work for clients. In the current market Richard provided invaluable advice on the use of financial models in the planning process to ensure development deliverability. Recent clients have included: Tesco, Telereal Trillium, Danescroft, St Modwen, Muse, Grosvenor and numerous others.

Richard is currently providing development consultancy input to a London NHS Foundation Trust in respect of their procurement of a development partner for a major development site and has also been working with a charity working under a similar OJEU compliant process to procure a development partner to deliver the trust new facilities on their site to be paid for by an enabling residential development.

The negotiation of complex s.106 agreements with local authorities and the GLA considering not only the affordable housing element but the viability of the overall scheme is paramount in achieving deliverable market facing schemes. Richard has worked with many clients across the majority of the London Boroughs and is well respected in this field.

Richard is als an RICS registered valuer and frequently undertakes various types of valuation for different purposes for clients, either valuations of completed schemes or residual land valuations

Richard Garside
Development Director

Summary of Experience

2019 to present

Newsteer Ltd

Richard is heading up the Development Consultancy team at Newsteer. The team offers expertise in Land Agency., Development Management, Financial Viability and forms part of the wider Planning and Development team. He offers clients invaluable advice on all aspects of the financial viability of potential development opportunities.

1990 to 2019

GL Hearn

Richard headed the Development Consultancy team based in GL Hearn's Gresham Street offices. The team offered expertise in Land Agency, Development Management, Affordable Housing, Viability and New Homes Sales and is an integral part of the wider Development Group.

Richard joined GL Hearn in 1990 and qualified as a Chartered Surveyor in 1992. He gained experience across a broad spectrum of both the commercial and residential property market. He was initially a member of the Professional team. Subsequently he was instrumental in the establishment of the large retail space team, and a dedicated petrol filling station consultancy. In 2003 he helped establish and became a lead member of the Development Consultancy team. Richard was involved in the identification and acquisition of sites for large mixed-use developments and advising on all aspects of these schemes with regard to the design and added value process from their inception through to delivery. He was also involved in putting together disposal strategies for clients with major surplus landholdings.

1989 to 1990

Brown & Merry - Berkhampsted

Richard Garside
Development Director

Project Experience

Mixed use Development Consultancy

Richard provides advice to a number of clients on large mixed use residential or retail led development schemes. This advice includes; advice on land purchase, liaison with architects in respect of appropriate schemes to maximise value and deliverability, viability advice through the planning process and advice on disposal routes. More recently he has been working on disposal of surplus assets for a major client in the midlands – this includes land for residential and major distribution warehouse sites.

Camden and Islington Health Trust – ST Pancras Hospital

Richard has been providing development consultancy input to the Trust through the latter stages of a procurement strategy to bring forward a development partner to the Trust to oversee the redevelopment of their St Pancras hospital site for a mix of commercial residential and health related uses.

St Mungos – 217 Harrow Road, London

Richard has been work with the Trist to procure a development partner to deliver the trust new facilities on site to be paid for by an enabling residential development .

Severn Trent

Richard has been working with Severn Trent team considering surplus land holdings – advising on the value of these and how they can best be disposed of to create value for the company. This will include creating value through the planning process, direct disposals and entry in to joint ventures on both commercial and residential schemes across the Midlands region. Recent disposals include a site for some 200 units in Stourbridge and a 70 unit residential scheme in Coventry sold to Bellway. He has also worked with other landowners to put a collaboration agreement in place to bring forwards a residential scheme in Derbyshire about too come to the market.

Richard Garside
Development Director

Project Experience continued

The Royal Free London NHS Foundation Trust

Richard worked closely with his planning colleague, David Brown, as part of a multi-disciplinary team instructed by The Royal Free London NHS Foundation Trust to assist in a masterplanning exercise at one of their key hospital sites within London including the provision for up to 750 homes; including both key worker and affordable housing. The intention of the masterplanning exercise was to provide a framework to guide future development while maximising value for the trust and ensuring delivery of new facilities financially enabled by the development. Richard provided advice on the residential mix, affordable housing requirements, potential development partners and routes to market, the overall development value of the scheme and timing of potential receipts under different delivery scenarios.

Tesco

Richard has acted on behalf of Tesco in connection with the majority of their mixed-use projects throughout London and the South East. Providing appraisal advice in respect of acquisitions and development design advice, working closely with architects, planners, cost consultants and highway engineers to ensure scheme viability is maximised while not compromising the core product. He has also overseen his team's disposal of a number of sites for residential schemes and is currently working with them on a number of asset optimisation strategies.

Tesco / Ikea

Richard worked on behalf of both parties to consider a masterplan to redevelop both stores which would include the delivery of some 19,000 new homes. Discussions with the parties and the Council are ongoing.

Richard Garside
Development Director

Project Experience continued

Development Planning Viability Negotiations

The negotiation of complex s.106 agreements with local authorities considering not only the affordable housing element but the viability of the overall scheme is paramount in achieving deliverable market facing schemes. Richard has worked with many clients across the majority of the London Boroughs and is well respected in this field.

Taylor Wimpey

Richard gave viability evidence at a planning inquiry to support Taylor Wimpey's contention that a site at Woolmer Green in Hertfordshire was not viable for continued use in its existing B1/B8 use. The appeal was successful.

Pegasus Life

Richard Worked with Pegasus Life over a number of years at GL Hearn offering Viability advice and carrying out Financial Viability Assessments at various sites and also representing them at a planning inquiry in Seaford.

Retirement Villages

Richard was instructed by Retirement Villages while at GL Hearn and continues to work for them. He undertook a recent planning inquiry in Lower Shiplake near Henley which successfully overturned the planning authorities original decision achieving planning for up to 65 class C2 apartments and cottages together with various communal facilities. He is currently involved in another similar appeal on their behalf in Mid Sussex.

Inspired Villages

Richard is instructed by Inspired Villages in connection with a number of sites which they are bringing forward through the planning system. He undertook a recent planning inquiry in Sonning Common near Henley for which the outcome is awaited.

Richard Garside
Development Director

Project Experience continued

LLDC and other land owners

Working with the LLDC and other landowners at Bromley by Bow, Richard has been advising on the viability of the Bromley by Bow Masterplan which includes the redevelopment of a major Tesco superstore to provide circa 1,700 new homes, a school and commercial space including a new foodstore. This work has included agreeing the overall level of planning benefits the scheme can deliver and advising the parties on the equalisation of these planning benefits across the scheme. More recently he agreed the viability for Danescroft on their scheme and is now working on a wider scheme for Guinness and Danescroft.

BT/Telereal Trillium

Richard was recently provided viability advice in respect of their scheme proposals for a scheme for 500 units in Fish Island, Stratford and has provided advice to them in various other locations.

Vastint (formerly LandProp)

Richard acted for LandProp in respect of their 25 acre site in Stratford. The scheme comprises 1200 residential units and 80,000 sq.m. of commercial space including; a hotel and conference centre, retail, office space and creative industries. Working closely with planning colleagues the level of affordable housing guaranteed on site was reduced to 8%, half of which is discounted market sale with significantly reduced tariff payments the majority of which are provided through works in kind which benefit the scheme.

Montreaux

Richards team acted for Montreaux in the purchase of a major development site in Southall where previously the team had acted in securing planning for a residential scheme. Richard is now acting on half of Montreaux in connection with ongoing viability discussions in respect of a new planning application for in excess of 2,000 homes.

Richard Garside
Development Director

Project Experience continued

CLS Holdings / R&F Properties

Acting for CLS Richard provided viability advice in respect of their scheme proposals for Vauxhall Square which include 600 residential units in two 50 storey towers together with 150,000 sq.ft. of office space, a 438 bed hotel, 416 student bedrooms and 30,000 sq.ft. of retail space. BNP Paribas who were appointed by the LB of Lambeth to review agreed with Richard's findings. The scheme was sold to R&F Properties and Richard continues to advise on viability and CIL matters.

East Thames & London and Continental Railways

Richard provided advice to this partnership through the planning process in respect of its major planning application for over 1,000 residential units at Chobham Farm adjacent to the Olympic Village. Following receipt of planning Richard was instructed by LCR to sell on a 419 unit phase of the scheme which was successfully sold to Telford Homes.

Grosvenor

Richard was instructed to provide development consultancy and viability advice in connection with Grosvenor's Great Chesterford Garden Community Scheme north of Saffron Walden. Negotiations with the Council and their advisors are ongoing.

APPENDIX B: Financial Viability Assessment

Financial Viability Assessment

Land at Burston Garden Centre
North Orbital Road
St Albans

Castleoak

24th February 2021

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24th February 2021

Our Ref: 2020-364

PRIVATE AND CONFIDENTIAL

Planning and Building Control
District Council Offices
St Peter's Street
St Albans
Herts
AL13JE

For the Attention of: Sarah Smith

Dear Sarah,

Financial Viability Assessment in Respect of: -

Burston Garden Centre, North Orbital Road, AL2 2DS

EXECUTIVE SUMMARY

This report has been prepared in support of a planning application submitted to St Albans City & District Council for the proposed redevelopment of Burston Garden Centre. The application seeks planning permission for the following development:

Demolition of all existing buildings, structures and hardstanding and redevelopment of the site to provide a new retirement community comprising assisted living bungalows and apartments, with community facilities together with associated access, bridleway extension, landscaping, amenity space, car parking and other associated and ancillary works.

This report considers the financial viability of the proposals and provides justification in economic viability terms for the level of affordable housing and other planning benefits included within the planning application.

Based upon the findings herein the proposed scheme contained within the application produces a Residual Land Value below what is considered an appropriate Benchmark Land Value for this type of development whilst adopting an appropriate development return in accordance with published guidance on the financial viability in planning process.

This is on the assumption of a fully private scheme providing no affordable housing and making the s106 contributions as set out herein.

1. INTRODUCTION

1.1 Newsteer have prepared this report on behalf of the applicant – Castleoak – in order to consider the profitability resulting from the proposed development and demonstrate the ability of the scheme proposals to provide affordable housing taking account of the scheme revenue and costs together with the other planning benefits required. This report constitutes a financial viability appraisal of the proposed scheme for planning purposes.

1.2 This report is provided on a private and confidential basis to support the planning application submitted to St Albans City & District Council (hereafter "the Council"). We understand that the report will made available to the Council's advisors and are happy for this to occur however, we do not offer the Council or your advisors and or any third parties a professional duty of care.

1.3 This report must not be recited or referred to in any document or copied or made available (in whole or in part) to any other person without our express prior written consent.

1.4 This report has been prepared in line with RICS valuation guidance and regarding relevant guidance on preparing financial viability assessments for planning purposes. However, it does not constitute a formal "Red Book" valuation and should not be relied upon as such.

1.5 The scheme will be assessed using standard residual valuation methodology as follows:

Gross Development Value of the residential and commercial elements of the scheme

Less

Build costs, Section 106 costs, CIL, cost of sale, finance costs

Less

Development Profit

=

Residual Land Value

1.6 The Residual Land Value is then compared with a Viability Benchmark Value (VBV) and if the Residual Land Value is lower or not sufficiently higher than the Benchmark Value the scheme is not technically viable.

1.7 We have undertaken development appraisals using the industry recognised ARGUS Developer Model.

1.8 The report will give a brief overview of the scheme; set out the Viability Benchmark Value considered appropriate in this case; detail the assumptions made in relation to the scheme residual appraisal and detail the appraisal results. This will allow conclusions to be drawn in respect of the level of contributions which the scheme is able to support.

2. DEVELOPMENT PROPOSALS

2.1 The scheme has been through a rigorous design process. A plan showing the proposed development is shown below for context.

Accommodation Summary

2.2 We attach as Appendix A the scheme layout drawings and accommodation schedule in accordance with the submitted planning application. We detail a summary of the proposed accommodation below: -

Type	***Unit Count***	***GIA Area (m2)***
Assisted Living	*80*	*8,839*
Care Bungalow A	*1*	*126*
Care Bungalow B	*5*	*583*
Care Bungalow C	*14*	*1,673*
Care Bungalow D	*6*	*721*
Care Bungalow E	*6*	*720*
Care Bungalow F	*12*	*1,493*
Total	***124***	***14,154***

Scheme History & Design Progression

2.3 Our client, Castleoak, are looking to develop a retirement village with 80 assisted living apartments and 44 bungalows with a care provision. The site is located on the outskirts of St Albans nearby to a junction leading to the M1 and M25. The development site is currently part of a Garden Centre, and comprises commercial growing space for plants, greenhouses and two storage buildings.

2.4 A pre-application meeting was carried out on 6th October 2020. A scheme has been drawn up as per the above and further details of the accommodation schedule can be found in Appendix A.

3. VIABILITY BENCHMARK LAND VALUE

3.1 We attach as Appendix B, policy guidance.

Methodology

3.2 In summary, we have reviewed two methods in order to assist in arriving at what would form a reasonable return to the landowner and therefore the Benchmark Land Value for this scheme.

3.3 The site measures at c9.6 acres (3.88 ha) and the current use is as commercial nursery space for an adjacent garden centre, with a mix of industrial buildings and glasshouses.

3.4 The first method we have applied is the Existing Use Value basis based on bare agricultural land values with a residential development premium. Based upon a review of the St Albans CIL & Emerging Local Plan Viability Study (November 2017), we have adopted pricing for land sites for development at the higher end of the range at c£200,000 per gross acre. We have adopted the higher end of the range as commercial nursery space would command agricultural values at the higher end of the range and a premium is then applied to this. This would equate to a Benchmark Land Value of **£1,920,000**.

3.5 The second method we have applied is the Existing Use Value Plus basis adopting a value against the existing buildings and an agricultural land value to the nursery space. The 2 glasshouses measure at a total of c48,686ft^2 (c4,523m^2). The 2 industrial units measure at a total of c11,754ft^2 (1,092m^2). Applying a rate of £25psf to the glasshouses, and £75psf to the industrial units, based upon approximate replacement build costs, equates to a value of £2,098,700. An agricultural land value then applied to the 9.6 acres at £10,000 equates to an additional value of £96,000. Totalling in an existing use value of **£2,194,700**.

Landowner's Premium

3.6 It is widely accepted that viability should be considered against the EUV plus a landowner's premium. The premium is applied to represent the incentive a landowner would require to release the land for development.

3.7 We are of the opinion that the premium should be reflective of the amount that a reasonable landowner would seek to achieve in order for the site to be purchased for development.

3.8 In this case there is significant potential to enhance the value of the site through development we therefore believe that a premium of a minimum 20% is appropriate resulting in a landowner's premium of **£438,940.** This gives a total Benchmark Land Value **of £2,633,640**.

VBV Conclusion

3.9 Having regard to the above we would therefore adopt a Benchmark Land Value of **£2,600,000.**

4. VIABILITY APPRAISAL INPUTS & ASSUMPTIONS

4.1 We consider below the various inputs and assumptions contained within the attached appraisal.

Comments on the Residential and Extra Care Market

4.2 As we move forward in the pandemic, albeit with continuing concerns of more restrictions on movement, there is a little more clarity in the market, particularly in London and the South, where the pandemic hit first and hardest and is once again most prevalent. Prior to the start of the virus and after years of Brexit stagnation, the residential market received a boost due to the seeming end of uncertainty with the resulting hefty Tory victory in the December 2019 general election. The market responded as soon as it could in January 2020, previously slow sales rates in new schemes perked up significantly and new buyers registered up and down the country with estate agents. Confidence and forward momentum had returned and new sites for development were sought to further increase the supply pipeline of new build homes.

4.3 Of course, this stalled once the extent of the problems due to the pandemic sank in and, as is usual in sudden unforeseen circumstances, there was a period of complete inaction when everyone was trying to work out what to do and how the market would be affected; then acclimatisation as the Government's lockdown was implemented and everyone stayed at home. With the end to the stamp duty incentive scheme on the horizon it is likely to temper any up-tick in sentiment for the residential market.

4.4 Taking this into account, we envisage that prices will remain very much as they were prior to the pandemic, and although there may be no inflation in the short term, it is unlikely that there will be a significant correction either. However there has to be a certain level of cautiousness within the market and when valuing residential property as a result of the Pandemic.

Location and Market Values

4.5 The site is located on the North Orbital Road, c1.7km from Junction 6A of the M1 and Junction 21A of the M25. St Albans centre is located c3.5km to the North East of the site. Park Street train station is located c1km to the East of the site, providing services towards both St Albans and Watford Junction.

4.6 There are a number of Assisted Living apartments that have been utilised as comparable evidence in the surrounding area, however there was very little by way of retirement village bungalow evidence.

4.7 We have considered the following schemes when estimating the sales values achievable in this location for Assisted Living Apartments: -

Scheme Name	*Scheme Address*	*Developer*	*Total Units on Site (incl. other unit types)*	*Care Package Available*
Eleanor House	*London Road, AL1 1NR*	*McCarthy & Stone*	*50*	*Yes*
Maryland Place	*Townsend Drive, AL3 5FD*	*Beechcroft*	*35*	*No*

Debden House	*Debden Grange, Fallow Drive, Bury, CB11 3RP*	*Retirement Villages*	*81*	*Yes*
Castle Village	*Britwell Drive, Berkhamsted, HP4 2GS*	*Retirement Villages*	*150*	*Yes*
Cedars Village	*Finch Green, Chorleywood, WD3 5GL*	*Retirement Villages*	*153*	*Yes*

4.8 In addition to the rates for the apartments above we have considered the following schemes when estimating the sales values achievable in this location for Retirement Village Bungalows: -

Scheme Name	*Address*	*Developer*	*Units on Site*	*On-site Care*
Castle Village	*Britwell Drive, Berkhamsted, HP4 2GS*	*Retirement Villages*	*150*	*Yes*
Cedars Village	*Finch Green, Chorleywood, WD3 5GL*	*Retirement Villages*	*153*	*Yes*

4.9 For further information and detail, comparison tables relating to the above schemes can be found in Appendix C.

4.10 In conclusion, having regard to the evidence set out in Appendix C we would estimate that the average rate per square foot achievable on the proposed scheme is **£650 per sq. ft. for the apartments** and **£600 per sq. ft. for the bungalows** which are larger.

4.11 In addition we also see the need to account for Deferred Management Fees (DMF) or Event Fees. These are discussed further in Appendix D and an excel spreadsheet is included as Appendix E which calculates the addition we believe appropriate in this case. Including the DMF addition the total GDV value equates to would estimate that the average rate per square foot achievable on the proposed scheme is **£682 per sq. ft. for the apartments** and **£630 per sq. ft. for the bungalows**.

Development Phasing & Timescales

4.12 Our development appraisal assumes project timescales that are considered appropriate for this type and size of development. The detailed timings can be seen within the appraisal summary and are summarised briefly below. It is important to note that we have assumed the development would be completed in 2 phases, the construction element of the Bungalows being pushed back until the construction of the Apartments is complete. The apartment block includes the additional amenities and facilities that would be expected to be provided prior to any sales and this will therefore be the first element completed with the Bungalows following on. We have assumed an overlap of the sales of the apartments and bungalows by 18 months, however some operators may wish to push the bungalows back until more of the apartments have been sold :-

Apartments – Phase 1	Number of Months
Pre-construction	12
Construction	24 + 18
Sales	40 +22

TOTAL	76

4.13 We have allowed 12 months for purchase and pre-construction timings to allow for planning permission to be achieved.

4.14 We have allowed for sales at 2 per month.

4.15 By their nature, age restricted developments are limited to those over the age of 55 or indeed often older – 65+. As a result this significantly limits the market for potential purchasers in comparison to general needs housing which carries no age restrictions whatsoever. Considering moving away from the family home is a sizeable decision and because of a prospective purchaser's age and care needs, any sale is likely to involve additional family members, predominately their children, who will also need convincing that a property provides the best place for their parent(s) to live out their remaining years (and as importantly without eroding any inheritance)s. Accordingly, the sales rates of age restricted developments are much slower which increases their finance costs and decreases the Internal Rate of Return. Extra Care developments are further impacted as such schemes are limited to purchasers with care needs.

4.16 In contrast general needs residential schemes are not restricted by age or care requirements and are open to all who can afford them; including the elderly who often resist a move to specialist housing despite their existing homes becoming increasingly inappropriate to their needs. Consequently these developments are able to sell at a much faster rate providing another competitive edge that age and care need restricted developments struggle to match.

Development Costs

4.17 We have been provided with budget construction costings prepared by Castleoak who will build out the development themselves for an operator partner. These are included as Appendix F. The total estimated construction cost (including a 5% contingency) is £45,253,179. We are of the opinion that this is a reasonable estimate for a development of this nature, considering the quality of specification required in order to achieve the sales values detailed above.

4.18 Notwithstanding the need to build a larger scheme to achieve the same sales space, age restricted developments are more expensive to construct than general residential housing. Firstly any flatted development is more expensive to construct than a housing scheme due to the proportionally higher costs of a larger structure, noise insulation, incorporating car, cycle and bin storage, and higher proportion of bathrooms and kitchens which cost more to fit out. Secondly, age restricted developments cost more to construct compared to general developments as they will often include lifts (even if only two storey), specially adapted bathrooms, fitted out treatment rooms and amenity areas.

4.19 We have made an allowance of 10% for professional fees. These tend to be higher for Extra Care Schemes than General needs housing as unlike a housing estate, which will be designed around a standard set of house types, extra care schemes tend to be individual bespoke products requiring significantly greater design team input and therefore increasing costs. The market norm is between 8%-12% and we are of the opinion that 10% reflects a fair rate for the type of product seen here.

Planning Obligations

4.20 We have considered the draft s106 agreement for the previous application on the site and included potential s106 sums within our appraisal based upon this as follows:

- Travel Plan Evaluation and Support Contribution - £6,000

- Library Contribution is as follows:

  Assisted Living – Apartments

1B =	24 x £77 =	£1,848
2B =	53 x £129 =	£6,837
3B =	3 x £164 =	£ 492
		£9,177

  Assisted Living – Bungalows

2B =	44 x £147 =	£6,468

- Total Contributions **£21,645**

- It is likely these costs would require indexation but the indexation basis within the s106 is not clear – we have adopted the base figures for our appraisal but would note that and further indexation would further reduce viability.

Marketing, Acquisition and Sales Fees

4.21 Details of the estimated marketing, acquisition and sales fees are contained within our Argus appraisal. The specialist nature of age restricted developments mean that sales rates are significantly slower than a standard residential product. The additional sales period means that sales costs also increase significantly.

4.22 A significant cost in any development is the cost of sales. Only the smallest developments can rely solely upon an estate agent to sell the units at an acceptable rate. Most schemes will require a significant degree of marketing including a manned sales office and show home. The increased sales period faced by age restricted developments means that the sales office has to be manned for longer which increases its cost relative to general needs housing. Similarly marketing material and advertising costs run for an extended period. Furthermore, to secure the support of family members, additional time will need to be spent with each family which also increases staffing and admin costs. Additionally less mobile purchasers will be met at their home further increasing the time and expense required to sell each unit relative to general needs housing developments. On average a typical market housing scheme might cost circa 2-3% of the developed value to sell compared to up to 5%-6% for an age restricted development.

4.23 In this case we have adopted sales fees of 5% including the Marketing, Sales Agent Fees and made an additional allowance of 0.25% in respect of Sales Legal Fees, which we consider reflects the type of product and sales period stated.

Set Up Costs - Empty (Void) Property Costs

1.1 The facilities within an age restricted development assist in residents' well-being and, in the case of Extra Care, their day to day care needs these must be fully operational before the scheme can be occupied. The facilities also need to be operation to attract buyers willing to pay the premium price reflecting these facilities. Once completed any facilities within a development will need their operational costs covering. This is achieved through a service charge paid by residents. However, the amount chargeable to any one owner is only proportionate to the development at full occupation. Accordingly the developer has to cover the void cost of any unsold units which can be significant.

1.2 Based upon evidence of other schemes with which we are currently involved which include similar facilities and are of similar size we have estimated the service charge at £7,500.

1.3 In addition to covering the service charge, as units need completing to encourage potential purchasers developers have to cover the costs of Council tax. Based on band G Council tax for this location would currently be £3,114.97 and based upon band H it would be £3,737.96. We believe that that the majority of units will sit in between these bands and have therefore taken an average estimated cost at £3,400 per unit per annum. We have assumed that the development would be completed on a phase basis and therefore adopt costs related to the units in each phase.

1.4 As most general residential schemes do not have additional facilities, developers of such schemes do not face the same cost burden. Even where schemes do include additional facilities their operational start can be delayed until a certain level of occupation is achieved. We have considered the start-up costs on this development using an excel model attached as Appendix H. The total costs are then included cash flowed within our argus model.

Development Profit

4.24 Any profit requirement for the development needs to be carefully balanced between the need to secure highly competitive and limited development sites and the risks of a potential project. Expected profit margins range for residential schemes range from 17.5% to 20% of Gross Development Value with housing estates normally at the bottom of this range, standard flatted developments in the middle and age restricted or other complex developments (e.g. tower developments) at the top. In the current market, an acceptable return for a development of this nature should be approximately 20% of the gross development value. We would also note that in the case of Extra Care village developments there will often be a developer and an operator, as there is here, and both will require a profit element for their risk in taking on the development which will increase the profit requirement over a simple general needs housing scheme delivered by a housebuilder.

5. VIABILITY APPRAISAL RESULTS

5.1 Attached as Appendix G is an Argus Developer development appraisal summary considering the proposed redevelopment in accordance with the submitted application. We detail below the results of this appraisal, based upon the inputs detailed above: -

Gross Development Value	£80,579,894
Construction Costs	£43,248,873
Contingency @ 5%	£2,004,304
Professional Fees @ 10%	£4,525,318
Planning Obligations/CIL	£21,645
Marketing & Disposal Fees	£4,230,445
Finance	£8,054,800
Total Costs	£64,463,915
Viability Benchmark Land Value	£2,600,000
Residual Land Value	£45,734
Profit	£16,115,979
Profit on Cost (%)	25%
Profit on GDV (%)	20%

5.2 It is evident from the above that the residual land value generated by the proposed development is below the Viability Benchmark Value based upon what would be considered as an acceptable return for a development of this nature.

5.3 This shows that it is not viable to provide any on site affordable housing or financial contributions in lieu of such affordable housing. Any requirements to provide such contributions would further impact on viability.

6. CONCLUSIONS

6.1 Based upon the findings herein the proposed scheme contained within the application produces a Residual Land Value below what is considered an appropriate Benchmark Land Value for this type of development whilst adopting an appropriate development return in accordance with published guidance on the financial viability in planning process.

6.2 This is on the assumption of a fully private scheme providing no affordable housing and making the s106 contributions as set out herein.

6.3 Any requirement for further planning benefits may make the scheme undeliverable at the current time.

7. THIRD PARTIES AND PUBLICATIONS

7.1 This report contains commercially sensitive information and is private and confidential. Neither the whole nor any part of this report or any reference thereto may be included in any published document, circular or statement, nor published, reproduced or referred to any way without our prior written approval of the form and context in which it may appear.

7.2 This report has been prepared for the purposes of assessing the financial viability of the project and should not be relied upon by any third party. It does not constitute a formal valuation report and under no circumstances should be relied upon as such. Any figures contained within this report are specifically excluded from the provisions of the RICS Valuation Standards (The Red Book).

7.3 This document is confidential to those to whom it is addressed. This document, in whole, or in part and any specific information contained within is not to be provided to or discussed with any third parties other than the Council and their independent financial advisor. Should the Council wish to provide any of the information contained within to a third party, the third party will be required to enter into a written agreement with Newsteer, prior to the issue or discussion about such information.

7.4 Where we have relied upon information provided by third parties the accuracy of the report will depend upon on the accuracy of the information supplied by them. Should the information provided be inaccurate or incomplete then we would reserve the right to amend our report accordingly.

Yours faithfully

For and on behalf of

Newsteer

APPENDIX A: PROPOSED DEVELOPMENT DRAWINGS & ACCOMMODATION SCHEDULE

Accommodation Schedule

	Unit Count
ASSISTED LIVING	80
CARE BUNGALOW - TYPE A	1
CARE BUNGALOW - TYPE B	5
CARE BUNGALOW - TYPE C	14
CARE BUNGALOW - TYPE D	6
CARE BUNGALOW - TYPE E	6
CARE BUNGALOW - TYPE F	12
	124

Accommodation Schedule - Assisted Living

Name	Unit Count
1B	24
2B	53
3B	3
	80

Area Schedule (GIA)

Name	Area
Assisted Living	8838.6 m²
Care Bungalow - Type A	126.1 m²
Care Bungalow - Type B	583.0 m²
Care Bungalow - Type C	1673.0 m²
Care Bungalow - Type D	721.4 m²
Care Bungalow - Type E	719.8 m²
Care Bungalow - Type F	1492.5 m²
	14154.3 m²

Area Schedule (GEA)

Name	Area
Assisted Living	9533.8 m²
Care Bungalow - Type A	151.7 m²
Care Bungalow - Type B	723.7 m²
Care Bungalow - Type C	1980.8 m²
Care Bungalow - Type D	844.3 m²
Care Bungalow - Type E	840.5 m²
Care Bungalow - Type F	1731.9 m²
	15806.7 m²

Area Schedule (NSA) Assisted living

Name	Level	Unit Count	Area
Assisted Living			
1B	Level 0	6	345.2 m²
2B	Level 0	13	1,090.6 m²
3B	Level 0	1	101.1 m²
1B	Level 1	9	504.4 m²
2B	Level 1	20	1,668.6 m²
3B	Level 1	1	101.1 m²
1B	Level 2	9	504.4 m²
2B	Level 2	20	1,668.5 m²
3B	Level 2	1	101.1 m²
Grand total: 80		80	6,085.1 m²

Area Schedule (NSA) Care Bungalow

Plot number	Name	Unit Count	Area
1	CARE BUNGALOW - TYPE A	1	126.7 m²
2-3	CARE BUNGALOW - TYPE C	2	238.1 m²
4-5	CARE BUNGALOW - TYPE C	2	238.1 m²
6-9	CARE BUNGALOW - TYPE F	4	489.5 m²
10-13	CARE BUNGALOW - TYPE F	4	489.5 m²
14	CARE BUNGALOW - TYPE B	1	119.0 m²
15-16	CARE BUNGALOW - TYPE C	2	238.1 m²
17-18	CARE BUNGALOW - TYPE C	2	238.1 m²
19-21	CARE BUNGALOW - TYPE D	3	356.4 m²
22	CARE BUNGALOW - TYPE B	1	119.0 m²
23-25	CARE BUNGALOW - TYPE D	3	356.4 m²
26	CARE BUNGALOW - TYPE B	1	119.0 m²
27-29	CARE BUNGALOW - TYPE E	3	357.1 m²
30	CARE BUNGALOW - TYPE B	1	119.0 m²
31-33	CARE BUNGALOW - TYPE E	3	357.1 m²
34	CARE BUNGALOW - TYPE B	1	119.0 m²
35-36	CARE BUNGALOW - TYPE C	2	238.1 m²
37-38	CARE BUNGALOW - TYPE C	2	238.1 m²
39-42	CARE BUNGALOW - TYPE F	4	489.5 m²
43-44	CARE BUNGALOW - TYPE C	2	238.1 m²
Grand total		44	5,283.9 m²

Note: External refuse stores
not included in area schedule

Designed with reference to the surveys, information and reports listed:

Rev	Date	Description	Dwn	Ckd
E	03/09/20	Updated to align with pre-app 09/2020	MLH	JAB
F	26/10/20	Updated to align with Planning application 2020	MLH	JAB
G	14/12/20	Updated to align with Planning application 12/2020	MLH	JAB

Drawn MLH
Checked JAB
Date 14/05/18
Scale @ A3

Burston Garden Retirement Village
Schedule of Accommodation

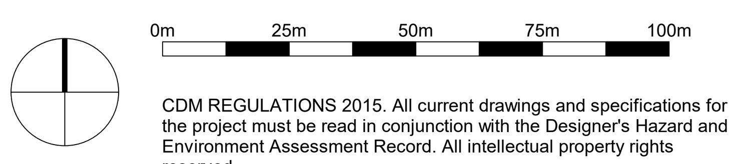
0653-00-99-SCH-A-G0-500
REV G

PRP

Existing Location Plan

1 : 1250

SITE ADDRESS :	LAND TO REAR OF BURSTON GARDEN CENTRE NORTH ORBITAL ROAD ST. ALBANS AL2 2DS
SITE AREA :	5.8 HECTARES 58,000 m^2



Designed with reference to the surveys, information and reports listed:

Rev	Date	Description	Dwn	Ckd
-	23/10/20	Issued for client approval	MLH	JAB
A	29/10/20	Issued for client review	MLH	JAB
B	10/12/20	Issued for Planning	MLH	JAB

Drawn	MLH
Checked	JAB
Date	Oct 2020
Scale @ A1	1 : 1250

Burston Garden Retirement Village
Site Location Plan

0653-00-SL-PL-A-G7-010
REV B

PLANNING

PRP

0m 10m 20m 30m 40m

Designed with reference to the surveys, information and reports listed:

Rev	Date	Description	Dwn	Ckd
-	23/10/20	Issued for client approval	MLH	JAB
A	29/10/20	Issued for client review	MLH	JAB
B	10/12/20	Issued for Planning	MLH	JAB

Drawn MLH
Checked JAB
Date Oct 2020
Scale @ A1 1 : 500

Burston Garden Retirement Village
Existing Site Plan

0653-00-SL-PL-A-G7-011
REV B

PLANNING

PRP

Proposed Block Plan

1 : 1250

KEY

(red line)	Site Boundary
(blue dashed line)	Demolished Buildings

0m 25m 50m 75m 100m

Designed with reference to the surveys, information and reports listed:

Rev	Date	Description	Dwn	Ckd
-	23/10/20	Issued for client approval	MLH	JAB
A	29/10/20	Issued for client review	MLH	JAB
B	10/12/20	Issued for Planning	MLH	JAB

Drawn	MLH
Checked	JAB
Date	Oct 2020
Scale @ A1	As indicated

Burston Garden Retirement Village
Proposed Block Plan

0653-00-SL-PL-A-G7-012
REV B

PLANNING

PRP

Accommodation Schedule

	Unit Count
ASSISTED LIVING	80
CARE BUNGALOW - TYPE A	1
CARE BUNGALOW - TYPE B	5
CARE BUNGALOW - TYPE C	14
CARE BUNGALOW - TYPE D	6
CARE BUNGALOW - TYPE E	6
CARE BUNGALOW - TYPE F	12
	124

0m 10m 20m 30m 40m

Designed with reference to the surveys, information and reports listed:

Rev	Date	Description	Dwn	Ckd
-	23/10/20	Issued for client approval	MLH	JAB
A	29/10/20	Issued for client review	MLH	JAB
B	10/12/20	Issued for Planning	MLH	JAB

Drawn	MLH
Checked	JAB
Date	Oct 2020
Scale @ A1	1 : 500

Burston Garden Retirement Village
Proposed Site Plan

0653-00-SL-PL-A-G7-013
REV B

PLANNING

PRP

APPENDIX B: VIABILITY BENCHMARK VALUE POLICY & GUIDANCE

Viability Benchmark Land Value – Policy & Guidance

In order to examine the economic viability of the proposed development the scheme is tested against a base land value known as the Viability Benchmark Land Value (VBV).

In arriving at an appropriate VBV there are a number of documents that provide guidance on viability appraisals for planning purposes:

- National Planning Policy Framework (February 2019);
- Planning Practice Guidance on Viability (2018, updated September 2019); and
- RICS - Assessing Financial Viability in planning under the National Planning Policy Framework for England Guidance Note (Draft, under consultation, January 2020)

National Planning Policy Guidance and Context

Published in February 2019 government guidance set out in the National Planning Policy Framework (NPPF) and National Planning Practice Guidance (PPG) states that 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.

PPG on Viability, most recently updated in September 2019, sets out that a benchmark land value should:

- be based upon existing use value;
- allow for a premium to landowners (including equity resulting from those building their own homes); and
- reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees.

EUV is subsequently defined as follows:

"EUV is the value of the land in its existing use. Existing use value is not the price paid and should disregard hope value. Existing use values will vary depending on the type of site and development types... EUV can be established… by assessing the value of the specific site or type of site using published sources of information such as agricultural or industrial land values, or if appropriate capitalised rental levels at an appropriate yield (excluding any hope value for development)."

It is recommend that the EUV should be informed by market evidence of current uses, costs and values. It is of note that market evidence can also be used as a cross-check of benchmark land value but should not be used in place of benchmark land value.

It is recommended that evidence should be based on developments which are fully compliant with emerging or up to date plan policies, including affordable housing requirements at the relevant levels set out in the plan. Where this evidence is not available plan makers and applicants should identify and evidence any adjustments to reflect the cost of policy compliance. This is so that historic benchmark land values of non-policy compliant developments are not used to inflate values over time.

PPG sets out that the "premium" for the landowner should:

"Reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land…the premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to fully comply with policy requirements".

In short, the premium should provide a reasonable incentive for a land owner to bring forward land for development while allowing a sufficient contribution to fully comply with policy requirements. This approach is often called 'existing use value plus' (EUV+).

PPG also states that for the purpose of a viability assessment and Alternative Use Value (AUV) refers to the value of land for uses other than its existing use. AUV of the land may be informative in establishing benchmark land value. If applying alternative uses when establishing benchmark land value these should be limited to those uses which would fully comply with up to date development plan policies, including any policy requirements for contributions towards affordable housing at the relevant levels set out in the plan. Where it is assumed that an existing use will be refurbished or redeveloped this will be considered as an AUV when establishing VBV.

It is further required that under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan. Local authorities can request data on the price paid for land (or the price expected to be paid through an option or promotion agreement).

RICS Guidance

Since the NPPF and subsequent PPG updates in 2018 and 2019 the RICS has published two documents responding to changes to relevant policies:

1. Financial viability in planning: conduct & reporting, RICS professional statement (May 2019); and
2. A DRAFT guidance note entitled 'Assessing financial viability in planning under the National Planning Policy Framework for England'.

The RICS acknowledges that in determining an appropriate EUV, Stakeholders are often presented with a variety of valuation figures that are not always easy to understand. In particular it recognises that they will wish to reconcile figures included in FVAs with figures reported in the market.

In the interest of transparency, the professional statement requires that when providing VBV in accordance with the PPG for an FVA, RICS members must report the following:

- Current Use Value – CUV, referred to as EUV or first component in the PPG;
- Developers' Premium – the second component as set out in the PPG;
- Market evidence as adjusted in accordance with the PPG;
- All supporting considerations, assumptions and justifications adopted including valuation reports, where available; and
- Alternative use value as appropriate (market value on the special assumption of a specified alternative use).

The statement acknowledges that it is not appropriate to report an alternative use value where it does not exist. A statement must be included in the FVA or review of the applicant's FVA or area-wide FVA that explains how market evidence and other supporting information has been analysed and, as appropriate, adjusted to reflect existing or emerging planning policy and other relevant considerations.

The document further states that price paid is not allowable evidence for the assessment of VBV and cannot be used to justify failing to comply with policy.

The RICS Draft guidance note confirms that PPG prescribes the EUV plus a premium (EUV+) as the starting point for assessing BLV, but that the Alternative Use Value (AUV) can also be used in some circumstances.

The guidance states that the valuation process set out for the VBV does not accord directly with the valuation process adopted for the market valuation of the development property, and that therefore it may not accord with the market value of the property.

In the case of development valuation, RICS guidance suggests that two valuation methods should normally be applied: the market comparison approach and the residual method. In the case of development property, unlike some other property types, applying the market comparison approach only is rarely adequate. The two valuations are set out in Valuation of development property, RICS guidance note. In the case of the BLV in FVAs, these two methods are not the primary approach, which is the EUV plus a premium. They are therefore cross-checking mechanisms only.

The RICS confirms that it is "clear and unambiguous" that the Valuation Standards and PPG are compatible and that the EUV for the purposes of FVAs is the value in its existing use, ignoring any prospect of future change to that use. Market Value may, however include that prospect where it exists. They conclude that the assessment of EUV for FVA purposes does not involve a departure from the Red Book and does not formally need to be declared as such.

However they note that the following issues can arise in the determination of EUV within the context of FVAs:

- Analysis of transactional evidence;
- Repair and improvement;
- Buildings run down in anticipation of development;
- A partially completed development; and
- A specialised property.

The RICS recognises that for the purpose of defining land value for any FVA, PPG requires 'a benchmark land value should be established on the basis of the EUV of the land, plus a premium for the landowner' and that the 'premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to fully comply with policy requirements'. The premium is therefore a minimum return that would persuade a reasonable landowner to sell the land.

The RICS states that an important difference between market value and VBV is the weighting of the evidence base. While the evidence base for the market value is grounded in transactions, and in comparative values and costs of the developed property in a residual valuation, the PPG reduces the status of comparable land transactions to that of a cross-check of the BLV, which may be undertaken to help inform the VBV established by reference to the EUV plus a premium.

The premium should provide a reasonable incentive for a landowner to bring forward land for development, while allowing a sufficient contribution to fully comply with policy requirements. The BLV will normally be equal to or greater than the EUV.

The RICS notes that PPG allows VBVs from other FVAs to be used as evidence. Any data used should be adjusted to comply with policy levels of planning requirements and reflect differences in the timing of the assessments, quality of land, site scale, market performance of different building use types and reasonable expectations of local landowners.

They state that there is no standard amount for the premium, and each assessment needs to be properly evidenced.

APPENDIX C: EVIDENCE OF GROSS DEVELOPMENT VALUES

Assisted Living Apartments – Comparable Evidence

Address	Description	Value / Date
Eleanor House – McCarthy & Stone		
Unit 4, Eleanor House, London Road, AL1 1NR	• *2 bedroom ground floor apartment* • *Built c2017* • *1 bathroom, 1 WC* • *Private patio* • *829 sq ft*	*£576,000 (£694.81psf)* *Asking Price*
Unit 19, Eleanor House, London Road, AL1 1NR	• *2 bedroom first floor apartment* • *Built c2017* • *1 bathroom, 1 WC* • *829 sq ft*	*£535,000 (£645.36psf)* *Asking Price*
Unit 39, Eleanor House, London Road, AL1 1NR	• *2 bedroom second floor apartment* • *Built c2017* • *1 bathroom, 1 WC* • *820 sq ft*	*£545,000 (£664.63psf)* *Asking Price*

Eleanor House is a McCarthy and Stone Retirement Living Plus development of c50 flats providing 24 hour assistance 365 days a year, along with a selected range of personal care packages tailored to specific needs. There are balconies or private patios for a number of the units. The scheme has an on-site restaurant and provides a mini-bus service into St Albans town centre.

Address	Description	Value / Date
Maryland Place – Beechcroft		
24 Maryland Place, Townsend Drive, AL3 5FD	• *3 bedroom first floor apartment* • *New build* • *1 bathroom, 1 en-suite* • *1,420 sq ft*	*£827,500 (£582.75psf)* *December 2019* *Sold*
13 Maryland Place, Townsend Drive, AL3 5FD	• *2 bedroom second floor apartment* • *New build* • *1 shower room, 1 en-suite* • *Balcony* • *1,238 sq ft*	*£695,000 (£561.38psf)* *November 2019* *Sold*
14 Maryland Place, Townsend Drive, AL3 5FD	• *3 bedroom ground floor apartment* • *New build* • *2 bathrooms* • *Patio area* • *1,571 sq ft*	*£850,000 (£541.06psf)* *October 2019* *Sold*
26 Maryland Place, Townsend Drive, AL3 5FD	• *3 bedroom first floor apartment* • *New build* • *3 bathrooms* • *Balcony* • *1,848 sq ft*	*£975,000 (£527.60psf)* *May 2019* *Sold*
23 Maryland Place, Townsend Drive, AL3 5FD	• *3 bedroom ground floor apartment* • *New build* • *1 bathroom, 1 en-suite* • *1,420 sq ft*	*£875,000 (£616.20psf)* *Asking Price*
20 Maryland Place, Townsend Drive, AL3 5FD	• *3 bedroom ground floor apartment* • *New build* • *1 bathroom, 1 en-suite* • *1,420 sq ft*	*£850,000 (£598.59psf)* *Asking Price*

Maryland Place is a development of 35 newly built houses, apartments and complexes for over 55s. This development doesn't provide the extra care, therefore an uplift should be added to the £psf to reflect the premium of the care provisions and facilities on-site.

Address	Description	Value / Date
Debden House – Retirement Villages		
63 Debden House, Debden Grange, Fallow Drive, Bury Water Lane, CB11 3RP	• *2 bedroom second floor apartment* • *New build* • *Two bathrooms* • *Balcony* • *1,044 sq ft*	*£465,000 (£445.40psf)* *Asking Price*
36 Debden House, Debden Grange, Fallow Drive, Bury Water Lane, CB11 3RP	• *2 bedroom ground floor apartment* • *New build* • *2 bathrooms* • *Patio* • *1,023 sq ft*	*£435,000 (£425.22psf)* *Asking Price*
28 Debden House, Debden Grange, Fallow Drive, Bury Water Lane, CB11 3RP	• *2 bedroom first floor apartment* • *New build* • *2 bathrooms* • *balcony* • *721 sq ft*	*£375,000 (£520.11psf)* *Asking Price*
16 Debden House, Debden Grange, Fallow Drive, Bury Water Lane, CB11 3RP	• *2 bedroom ground floor apartment* • *New build* • *2 bathrooms* • *patio* • *893 sq ft*	*£365,000 (£408.73psf)* *Asking Price*
35 Debden House, Debden Grange, Fallow Drive, Bury Water Lane, CB11 3RP	• *1 bedroom ground floor* • *New build* • *1 bathrooms* • *balcony* • *576 sq ft*	*£320,000 (£555.56psf)* *Asking Price*

Debden Grange is a new build retirement village located near Saffron Walden, Essex. The scheme provides an open plan clubhouse with a restaurant, bar, reading area and meeting room. Other facilities are also provided such as a shop, hairdressers and a minibus for shopping trips and excursions. Additional care packages and support can be provided depending on individuals needs.

Address	Description	Value / Date
Castle Village – Retirement Villages		
18 Lady Cooper Court, Castle Village, HP4 2GW	• *3 bedroom penthouse apartment* • *1 bathroom, 2 en-suites* • *Communal gardens* • *1,981 sq ft*	*£750,000 (£378.60psf)* *Asking Price*
2 Lady Cooper Court, Castle Village, HP4 2GW	• *3 bedroom ground floor apartment* • *1 bathroom, 2 en-suites* • *Communal gardens* • *1,562 sq ft*	*£795,000 (£508.96psf)* *Asking Price*
2 The Mansion, Castle Village, HP4 2GW	• *2 bedroom first floor apartment* • *1 bathroom, 1 en-suites* • *Communal gardens* • *1,071 sq ft*	*£525,000 (£490.20psf)* *Asking Price*
30 Farmery Court, Castle Village, HP4 2GW	• *2 bedroom first floor apartment* • *1 bathroom, 1 en-suites* • *Communal gardens* • *980 sq ft*	*£425,000 (£433.67psf)* *Asking Price*

Address	Description	Value / Date
Resales: Castle Village – Retirement Villages		
33 Farmery Court, Castle Village, HP4 2GW	• *2 bedroom apartment* • *2 bathrooms* • *Communal gardens*	*£315,000* *Feb 2020* *Sold*
7 Farmery Court, Castle Village, HP4 2GW	• *Apartment* • *Communal gardens*	*£365,000* *Jan 2020* *Sold*

Castle Village is a Retirement Villages development providing a mix of apartments, bungalows and cottages. The scheme provides a restaurant, meeting room, bar, library and snooker room. There is 24/7 emergency response services managed by on-site staff. A member of staff is on duty at set times and domiciliary care can be provided by 3rd party providers, should it be required.

Address	Description	Value / Date
Cedars Village – Retirement Villages		
9 Homewood Court, Cedars Village, WD3 5GB	• *2 bedroom ground floor apartment* • *1 bathroom, 1 en-suite* • *Communal gardens* • *751 sq ft*	*£385,000 (£512.65psf)* *Asking Price*
14 Wildwood Court, Cedars Village, WD3 5GL	• *2 bedroom first floor apartment* • *1 bathroom, 1 en-suite* • *Communal gardens* • *749 sq ft*	*£375,000 (£500.67psf)* *Asking Price*
17 Woodland Place, Cedars Village, WD3 5GB	• *2 bedroom first floor apartment* • *1 bathroom, 1 en-suite* • *Communal gardens* • *772 sq ft*	*£345,000 (£446.89psf)* *Asking Price*

Address	Description	Value / Date
Resales: Cedars Village – Retirement Villages		
23 Homewood Court, Cedars Village, WD3 5GB	• *2 bedroom apartment* • *1 bathroom, 1 en-suite* • *Communal gardens* • *720 sq ft*	*£320,000 (£444.44psf)* *August 2018* *Sold*
7 Homewood Court, Cedars Village, WD3 5GB	• *2 bedroom apartment* • *1 bathroom, 1 en-suite* • *Communal gardens* • *708 sq ft*	*£340,000 (£480.23psf)* *Jan 2018* *Sold*

Cedars Village is a Retirement Villages development providing a mix of apartments, bungalows and cottages. The scheme includes a conservatory, restaurant, bar, library, meeting room/hobbies room. There is a bus stop in the retirement village. The development provides 24 hour emergency service and each property is fitted with an alarm call system. A member of staff is on duty at set times and domiciliary care can be provided by 3rd party providers, should it be required.

C2 Bungalow Residential Comparable Evidence – Market Values

Address	Description	Value / Date
Castle Village – Retirement Villages		
7 Benningfield Gardens, Castle Village, HP4 2GW	• *3 bedroom detached – dormer bungalow* • *Built c2001* • *1 bath, 1 en-suite, 1 WC* • *Conservatory* • *private patio area and communal grounds* • *1,584 sq ft*	*£699,950 (£441.88psf)* *Asking Price*
5b Whybrow Gardens, Castle Village, HP4 2GU	• *2 double bedroom detached dormer bungalow* • *Built c2003* • *2 bathrooms* • *Conservatory* • *Communal gardens* • *1,251 sq ft*	*£695,000 (£555.56psf)* *Asking Price*
12 Whybrow Gardens, Castle Village, HP4 2GU	• *2 bedroom semi-detached dormer bungalow* • *Built c2003* • *2 bathrooms* • *Communal gardens* • *Conservatory* • *1,281 sq ft*	*£675,000 (£526.93psf)* *Asking Price*
2 Whybrow Gardens, Castle Village, HP4 2GU	• *2 bedroom dormer bungalow* • *Built c2003* • *2 bathrooms* • *Conservatory* • *Communal gardens* • *1,236 sq ft*	*£650,000 (£525.89psf)* *Asking Price*
5 Priestland Gardens, Castle Village, HP4 2GT	• *2 bedroom dormer bungalow* • *Built c2001* • *2 bathrooms* • *Communal gardens* • *Conservatory* • *1250 sq ft*	*£620,000 (£496psf)* *Asking Price*
6 Whybrow Gardens, Castle Village, HP4 2GU	• *2 bedroom bungalow* • *Built c2000* • *No. bathrooms* • *garden* • *parking / garage* • *864 sq ft*	*£465,000 (£538.19psf)* *Asking Price*

Address	Description	Value / Date
Resales: Castle Village – Retirement Villages		
12 Whybrow Gardens, Castle Village, HP4 2GU	• *2 bedroom semi-detached bungalow (dormer)* • *Built c2003* • *2 bathrooms* • *Communal gardens* • *Conservatory* • *1,281 sq ft*	*£560,000 (£437.16psf)* *March 2020* *Sold*
11 Whybrow Gardens, Castle Village, HP4 2GU	• *3 bedroom bungalow* • *Built c2003* • *2 bathrooms* • *Communal gardens* • *Conservatory* • *963 sq ft*	*£580,000 (£602.28psf)* *November 2018* *Sold*
7 Priestland Gardens, Berkhamsted, HP4 2GT	• *2 bedroom bungalow (dormer)* • *Built c2001* • *2 bathrooms* • *Communal gardens* • *Conservatory* • *1,244 sq ft*	*£640,000 (£514.47psf)* *June 2020* *Sold*
11 Priestland Gardens, Berkhamsted, HP4 2GT	• *2 bedroom bungalow (dormer)* • *Built c2001* • *2 bathrooms* • *Communal gardens* • *Conservatory* • *1225 sq ft*	*£685,000 (£559.18psf)* *July 2018* *Sold*

Address	Description	Value / Date
Cedar Village – Retirement Villages		
19 Cedars Walk, Cedars Village, WD3 5GD	• *2 bedroom bungalow* • *Built c1998* • *2 bathrooms* • *Conservatory, private patio area and communal gardens* • *816 sq ft*	*£550,000 (£674psf)* *Asking Price*
14 Badgers Walk, Cedars Village, WD3 5GA	• *2 bedroom bungalow* • *Built c1998* • *2 bathrooms* • *Conservatory, private patio area and communal gardens* • *805 sq ft*	*£535,000 (£664.60psf)* *Asking Price*

Address	Description	Value / Date
Cedar Village – Retirement Villages		
7 Finch Green, Cedars Village, WD3 5GE	• *2 bedroom bungalow* • *Built c1995* • *2 bathrooms* • *Conservatory, private patio area and communal gardens* • *799 sq ft*	*£535,000 (£670psf)* *Asking Price*

Address	Description	Value / Date
Resales: Cedar Village – Retirement Villages		
17 Badgers Walk, Cedars Village, WD3 5GA	• *2 bedroom bungalow* • *Built c1998* • *2 bathrooms* • *Conservatory, private patio area and communal gardens* • *801 sq ft*	*£495,000 (£617.98psf)* *June 2020* *Sold*
28 Badgers Walk, Cedars Village, WD3 5GA	• *2 bedroom bungalow* • *Built c1996* • *2 bathrooms* • *Conservatory and communal gardens* • *856 sq ft*	*£495,000 (£578.27psf)* *March 2020* *Sold*
18 Badgers Walk, Cedars Village, WD3 5GA	• *2 bedroom bungalow* • *Built c1998* • *2 bathrooms* • *Conservatory and communal gardens* • *856 sq ft*	*£500,000 (£584.11psf)* *March 2020* *Sold*
3 Finch Green, Cedars Village, WD3 5GE	• *2 bedroom bungalow* • *Built c1995* • *2 bathrooms* • *Communal gardens* • *742 sq ft*	*£475,000 (£640.16psf)* *August 2018* *Sold*

APPENDIX D: DEFERRED MANAGEMENT FEE (DMF) CALCULATION

1. The business models of many of the retirement village operators now require those taking a lease to agree that a Deferred Management Fee (DMF) is paid when their flat is eventually vacated, normally after their death.

2. The inspector in the Gondar Gardens Case (Appeal Ref: APP/X5210/W/18/3198746 Gondar Gardens Reservoir, Gondar Gardens, London NW6 1QF) considered the need to include the DMF within the value of the scheme and concluded that an element of the DMF could be reflected in the value of the scheme when deciding how much it could afford towards affordable housing.

3. The average fees charged across the market are up to 10% of the sale price when an occupier decides to sell their home. This ramps up to this level over the first five years of occupation at 2% per annum and after that the occupier would pay the full amount. In the Gondar case the inspector references a report by a firm specialising in finance for healthcare and retirement living (Conaghan Healthcare and Corporate Finance: Retirement Communities and 'Event Fees', June 2016). The report confirms that event fees are becoming commonplace within the 'retirement community' sector and suggests that the majority of these are set at 10% or less.

4. However only a proportion of this fee can be taken into account in consideration of the GDV of the scheme at the outset as it is designed to cover a number of costs. Retirement villages require long term investment which will not be covered by the service charge. Service charges will pay for repainting corridors, communal areas, landscaping etc and the sinking fund included within the service charge means that if roof needs replacing, there is money for that. However longer term investment needed to maintain the villages value and attractiveness as a place to live in retirement will be required which cannot be covered by this service charge. For example; at some point in future every car will be electric and will need additional electricity sub-stations and electric charging points installations. This is just one example of the sort of costs retirement villages built in recent decades will face and it cannot be known now what similar challenges will be faced over the term of a long lease and beyond.

5. The communal services which have to be provided upfront are a considerable cost to the development in terms of both the provision and the interest thereon until units can be sold. This is not covered by the sale price of the properties and the DMF helps to pay towards these and thus an element of the fee can be included reflected in the GDV value. The operation of the amenities and services within retirement villages are not materially profit-making, being either based on a cost-recovery service charge model or a management fee model with minimal profitability. Given the operational risks associated, which are far in excess of those for a standard portfolio of managed rental accommodation, an additional role of the DMF is to offset this risk which would otherwise be commercially insupportable.

6. It is clear that as yet there is no common market practice which can be referred to in valuing the DMF and RICS guidance makes it clear that benefits or disbenefits unique to the applicant should be disregarded other than in exceptional circumstances.

Whatever we add in has to be appropriate to the market as a whole and also has to be in line with the evidence from which the base value for the unit is drawn – so if we have a comparable that includes no DMF it might be expected that the operator could charge more for that unit and this would need to be reflected in any addition made. Indeed if the evidence is from a scheme with no DMF we would say that there would be no adjustment made to value for DMF.

7. In this case we have had regard to all of the evidence from competing retirement schemes adjusting appropriately for location size and other physical factors as the base value for the subject scheme and then make an addition for a proportion of the value of the future cash flow from DMF or Event Fees.

8. Conaghan Healthcare and Corporate Finance have produced a later report (Retirement Communities in the UK dated January 2018) in which they consider the valuation of the DMF. They suggest a cash flow model which includes an appropriate rate for market value growth which they set at 3% and an appropriate discount rate which they believe should initially be set at 15% but which may reduce to 10% as a market in the valuation and lending against DMF emerges. They also recognise that a proportion of the DMF will be held for future investment in the village which will be required to ensure the value growth and will not be covered by service charges. However they don't comment on this percentage other than giving an example under which they suggest an operator may wish to realise a third of the fee.

9. We have discussed the approach with our various retirement village clients and are aware of the approach that their valuers and valuers to a number of the other village operators are taking to the valuation of DMF. As a result we are in agreement that the correct approach is a discounted cash flow which we have run over 100 years.

10. There follows in Appendix E an excel sheet in which we have valued the DMF element. We have assumed the following:

- Scheme planning and build out to first sales takes 36 months in line with development appraisal.
- DMF – 2% in yr 2 and then increases at 2% to a max of 10%.
- Average length of tenancy – 10 years at scheme maturity. This is an industry average based on discussions with our clients and other operators
- Maturity is reached at 10 years from the first sales based on the current industry averages across the our retirement village operator's portfolios building up to this rate on an even basis.
- Deferred Management Fee – these vary across the industry from circa 1% up to about 30%. However for the purposes of viability we believe it is correct to use an industry average and having spoken with a number of clients believe that 10% reflects a fair average across the industry.
- Market Growth - 2.5% backed up by the rate adopted in Savills, Knight Frank and other Residential forecasts.

- A discount rate of 10% based upon the Conaghan Healthcare report is considered reasonable in the light of the current risk as the market is not established sufficiently to give a guide on returns. This rate is also being adopted by valuers considering the valuation of Extra Care property.

- Having discussed the approach to reinvestment with our clients the approach taken by most operators is to allow a sum of money per unit which we have assumed on average to commence at £500 per annum for a new build scheme but increase up to £750 per annum in years 8-14 and £1,000 per annum thereafter. This amount is then increased by the expected RPI rate. In addition it is usually the case that operators will reinvest a sum in properties once the become available for resale in order to maintain the value of the scheme. We have included an average sum in this respect.

11. The above calculation, and following spreadsheet, show that a 5.06% increase in the GDV can be justified to reflect the DMF or Event Fees. This gives total GDV's of **£682 per sq. ft. for the apartments** and **£630 per sq. ft. for the bungalows** which are included within the Gross Development figures that have been included within our development appraisal.

APPENDIX E: CALCULATION OF DMF

Consideration of DMF

Number of units	124
Av. Value per Unit	618,543
Total GDV	76,699,350
Total NSA sq ft	122,374
Av. GDV £psf	627
Development Period - yrs	3.00
Av length of stay @ maturity	10

Year from first sales	1	2	3	4	5	6
Event Fee Level	0%	2%	4%	6%	8%	10%

Nb. Event fees increase at 2% pa from the end of the first year of occupation up to a max of 10%

	Units	Sq ft	£psf	Value
Phase 1	80	65,499	650	42,574,350
Phase 2	44	56,875	600	34,125,000
Total	124	122,374	627	76,699,350

Discount Rate	10.0%	
Growth Rate - market value	2.5%	
Reinvestment in village per unit	£500	Yrs 1-7
	£750	Yrs 8-14
	£1,000	Yr 15 onwards
Unit Refurbishment on resale	£12,000	
RPI applied to reinvestment cost	2.00%	
Years to maturity	10.00	

Nb this helps cover various items including FF&E - General, Restaurant,Wellbeing,AV, External
Also covers upgardes such as intallation of Elctirc parking points or other new technology required over time

Year	0	1	2	3	4	5	6	7	8	9	10	11	12	13
Sales Year	-	-	-	-	1.00	2.00	3.00	4.00	5.00	6.00	7.00	8.00	9.00	10.00
Growth rate		2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Average Unit Value	618,543	634,007	649,857	666,103	682,756	699,825	717,320	735,253	753,635	772,476	791,788	811,582	831,872	852,669
GDV	76,699,350	78,616,834	80,582,255	82,596,811	84,661,731	86,778,275	88,947,731	91,171,425	93,450,710	95,786,978	98,181,652	100,636,194	103,152,099	105,730,901
Events pa. at maturity		12.4	12.4	12.4	12.4	12.4	12.4	12.4	12.4	12.4	12.4	12.4	12.4	12.4
Event build up		0.00%	0.00%	0.00%	10.00%	20.00%	30.00%	40.00%	50.00%	60.00%	70.00%	80.00%	90.00%	100.00%
Number of events pa.		0.0	0.0	0.0	1.2	2.5	3.7	5.0	6	7	9	10	11	12
Value of Units Sold		-	-	-	846,617	1,735,565	2,668,432	3,646,857	4,672,536	5,747,219	6,872,716	8,050,896	9,283,689	10,573,090
Event Fee Level		0%	0%	0%	0%	2%	4%	6%	8%	10%	10%	10%	10%	10%
Event Fee Revenue		-	-	-	-	34,711	106,737	218,811	373,803	574,722	687,272	805,090	928,369	1,057,309
Less Unit refurbishment on resales		-	-	-	15,791	32,213	49,286	67,029	85,462	104,606	124,481	145,109	166,513	188,714
Less Reinvestment in scheme				64,505	65,795	67,111	68,453	69,822	71,219	72,643	111,144	113,366	115,634	117,946
Net Income		-	-	- 64,505	- 81,586	- 64,613	- 11,002	81,960	217,122	397,473	451,647	546,614	646,222	750,648
Present Value	**3,880,544**	-	-	- 48,463	- 55,724	- 40,119	- 6,210	42,059	101,289	168,567	174,130	191,585	205,906	217,436
PV as a % ofGDV	**5.06%**													

NB modelled over 100 years

		Phase 1	44,728,366	682.89
Total GDV including DMF element	**80,579,894**	**Phase 2**	35,851,528	630.36

APPENDIX F: COST PLAN FEB 2021

Stage 1 - Elemental Cost Plan

Project:	Burston Garden Centre, St Albans	
Date:	23/02/2021	
SOS Date:	TBC	

Item	Description	AL	Infrastructure	Total £
1	Temporary Works (Individual Buildings & Infrastructure)	830,938	735,623	1,566,561
2	Site Preparation (Individual Buildings & Infrastructure)	215,148	1,147,104	1,362,252
3	Substructure	1,450,017	-	1,450,017
4	Frame and Upper Floors	4,090,071	-	4,090,071
5	Roof	1,451,146	-	1,451,146
6	External Walls	1,343,120	-	1,343,120
7	External Windows and Doors	1,400,957	-	1,400,957
8	Internal Walls	713,134	-	713,134
9	Internal Doors and Screens	600,481	-	600,481
10	Wall Finishes	390,886	-	390,886
11	Floor Finishes	260,286	-	260,286
12	Floor Finishes - to assisted living apartments	433,130	-	433,130
13	Ceiling Finishes	605,000	-	605,000
14	e.o cost due to service wing in roof space	164,128	-	164,128
	Fixtures and Fittings (note see Prov Sum for Serveries)	-	-	-
	Assisted Baths and Sluices	13,912	-	13,912
	Special Furniture	-	-	-
	General	848,196	-	848,196
15	M&E	-	-	-
	M&E	5,233,597	-	5,233,597
		-	-	-
16	Lifts	163,412	-	163,412
17	BWIC Services	33,952	258,450	292,402
18	Provisional Sums	-	-	-
	Main Kitchen incl fire rated extract flue	80,000	-	80,000
	Main Laundry	-	-	-
	Nurse Stations	-	-	-
	Cinema	-	-	-
	Main Entrance Café unit / Reception Desk	-	-	-
	Domestic Kitchens	961,000	-	961,000
	Fireplaces	-	-	-
	Café/Servery	-	-	-
	Reception Desk	10,000	-	10,000
	Feature Ceiling to Main Reception	-	-	-
	Garden Features	-	-	-
	Wardrobe/Vanity Units to Bedrooms & Ensuites	93,000	-	93,000
	Spa Room Equipment & Fit-out	20,000	-	20,000
	STATS	200,000	-	200,000
	Landscaping	607,990	111,510	719,500
	Boundary Treatments	-	42,500	42,500
	Section 278 works (as per Mark Callaghan email dated 03/06/19)	-	1,000,000	1,000,000
	ALU Kitchens	-	-	-
19	External Works	-	-	-
	Roads and Paving	1,418,597	313,147	1,731,743
	Minor Works; topsoil and BWIC STATS	280,671	72,107	352,778
20	Drainage (Individual Buildings & Infrastructure)	384,035	705,645	1,089,680
21	Attenuation (Care Home Included in Drainage)	-	269,111	269,111
22	Fees	1,331,477	231,803	1,563,280
23	FF&E	-	-	-
24	Preliminaries	-	-	-
	Plant and Sundry Costs	-	1,872,000	1,872,000
	Site Staff	-	2,106,000	2,106,000
	Defects Allowance	80,000	10,000	90,000
				-
	TOTAL	**25,708,279**	**8,875,000**	**34,583,279**
		-	-	-
	Infrastructure & General Site Wide	-		-
	Demolition, Asbestos Removal, Remediation & Prelims (6 Weeks)	-	400,000	400,000
	Brick & flint wall	-	271,028	271,028
	Wet Well and pumping for foul networks	-	120,000	120,000
	Oversailing (Garden Centre)	-	40,000	40,000
	Signalised junction (tpa drawings) - Included in S278 Provisional Sum	-	-	-
	Works associated with existing right of way (maintaining, diversion etc)	-	50,000	50,000
	Communications mast (screening if required)	-	10,000	10,000
	Remove Existing fuel container	-	10,000	10,000
	Village green & forming pond	-	50,000	50,000
	Community garden & community orchard	-	40,000	40,000
	Prelims - Site welfare set up for large scheme	-	100,000	100,000
	Prelims - Sitewide security allowance (cctv/gate house)	-	100,000	100,000
	Prelims - Haul roads, temporary hardstanding areas	-	200,000	200,000
	Archeology (allowance for geophysical survey & searches)	-	50,000	50,000
	Ecology works allowance	-	50,000	50,000
	Additional attenuation (as Quad over standard allowance 180m3)	-	533,832	533,832
	Extra over for using Formpave	-	55,250	55,250
	Extra Care	-	-	-
		-	-	-
	Piled Foundation Solution (Assume 10m pile; 450m diameter @3m centres)	350,000	-	350,000
	Communal terrace onto green	10,000	-	10,000
	Seasonal gardens	10,000	-	10,000
	Materials upgrade allowance - clay roof tiles uplift	301,740	-	301,740
	Materials upgrade allowance - elevation treatment uplift	585,775	-	585,775
	Uplift to aluminium composite windows over UPVc	379,669	-	379,669
	Canopy Stucture to external façade, GF	35,700	-	35,700
	Breeam	64,000	-	64,000
	Sanitaryware (specification upgrade)	80,000	-	80,000
	Clubhouse internal specification uplift	318,521	-	318,521
	Spa & gym area fit-out (vaulted ceilings & timber kingposts)	50,000	-	50,000
		-	-	-
	Care Bungalows	-	-	-
		-	-	-
	Materials upgrade allowance - clay roof tiles uplift	344,654	-	344,654
	Materials upgrade allowance - elevation treatment uplift	449,071	-	449,071
	Uplift to aluminium composite windows over UPVc	291,065	-	291,065
	Balconies	22,500	-	22,500
	Breeam	36,000	-	36,000

	Sanitaryware (specification upgrade)		45,000	-	45,000
	Edible gardens allowance		40,000	-	40,000
	Fruit tree lanes		5,000	-	5,000
	Integral benches		4,000	-	4,000
			-	-	-
	OVERALL NETT TOTAL		**29,130,974**	**10,955,110**	**40,086,083**
					-
	Inflation	0.00%	-	-	-
	SUB TOTAL NETT		**29,130,974**	**10,955,110**	**40,086,083**
	Insurances	1.00%	291,310	109,551	400,861
	Contingency	5.00%	1,456,549	547,755	2,004,304
	SUB TOTAL NETT		**30,878,832**	**11,612,416**	**42,491,248**
					-
	Overheads and Profit	6.50%	2,007,124	754,807	2,761,931
					-
	OVERALL TOTAL		**32,885,956**	**12,367,223**	**45,253,179**

Stage 1 Cost Plan

Project:	**Burston Garden Centre, St Albans**
Date:	**24/05/2018**

General Notes

Based on CH GIFA of 3 Assisted Living of 8838.6m2 (80 apt)/ Bungalows 5,315.7m2 (44 units)
No allowance for VAT
Based on current Building Regulations at date of cost plan
The cost plan is based on a timberframe form of construction
No allowance for FF&E
No allowance for Party Wall Agreements or associated works
No allowance for any excavation in rock, ironstone or limestone or the like; GI indicative of clayey sands

No allowance has been made for any abnormal ground conditions, contamination or asbestos containing materials as these are unknown at this stage
All cartaway / excavated materials based on inert materials

We have allowed for a foundation solution based on a ground bearing pressure of 125kn/m2 at a level of 1m below the existing ground level
We have made allowances within the abnormals for an uplift to a piled foundation scheme to the CH & AL
Drainage based on Gravity Fed connection for foul and storm to a wet well, with pumping capacity to gravity fed sewer at boundary
Services and Utilities provisional sum is based on STATS connections to capacity being available at site boundary
In the absence of a topographical drawing we have allowed for a level site with FFL circa 150mm above existing ground level
Lifts are based on Ideal Lifts
External Boundary Treatments allowed as 1.8m high Close Boarded fencing only at this stage
12 months DLP allowed
Window u values are based on 1.5 w/m2K - i.e double glazing with no acoustic treatments
Allowance for ecology survey only. No allowance has been made for associated works, reports or the like
No allowance has been made for acoustic surveys and or associated works, reports and the like.
No allowance has been made for any floor risk mitigation surveys and or associated works, reports and the like
Roadway and carpark make up based on a CBR of >2 %
No allowance has been made for utilities diversions, lowering, wayleaves or the like
No allowance for any works outside of the site boundary
Site Access - Proposed bridleway and access track by others
We have allowed for the following pallet of external materials
External Materials (building and external works) based on design drawings.
External walls are allowed on the basis of the brickwork and weatherboard cladding as detailed in the drawings
Roof Tiles - Marley Eternit or similar; Flat roofs where applicable Single ply membrane; Fascia Soffit and RWG UPVc
External openings UPVc
Storey heights FFL to FFL 2.85m with ceiling height of 2.4m from FFL
Ironmongery based on the SLS Baseline specification
Hard landscaping as per Landscaping drawing (Car Park / Access Road: Tarmac; Other areas Block / slab paving.
We have included for a provisional sum value for any S278 works required; to include (but not limited to); signalised junction/civils works associated with/temporary traffic calming measures/prelims associated with necessary works etc
We have made no allowances for district heating, we have allowed for wall mounted gas boilers for heating to the assisted living apartments and the bungalows

Fees

No allowance for Bond
No allowance for third party fees, agreements or associated cost
Fees based on RIBA stages 4 -7. Fees upto and including planning by others.
BREEAM - Base cost allows for BREEAM Very good 2013
BREEAM based on early appointment of BREEAM assessors to get the early deign coordination credits. If these are not achieved BREEAM costs will increase and need to be reviewed
No allowance for Section 106 contributions or the like
No allowance for 278 fees and or associated surveys, reports and works, (see provisional sum for allowance to upgrade site entrance)
Cost plan allows for all post planning design and professional fees (RIBA stages 4 - 7). We have not made allowance for any planning resubmissions and or post planning fee consultancy and associated works
No allowance for any CIL
Interior design by others
No allowance for any party wall fees, surveys, reports, agreements and / or associated works have been made

APPENDIX G: ARGUS DEVELOPER VIABILITY APPRAISAL SUMMARY

St Albans, Burston Garden Centre

Development Appraisal
Newsteer
February 24, 2021

APPRAISAL SUMMARY — NEWSTEER

St Albans, Burston Garden Centre

Appraisal Summary for Merged Phases 1 2 3

Currency in £

REVENUE

Sales Valuation	**Units**	**ft²**	**Sales Rate ft²**	**Unit Price**	**Gross Sales**
Assisted Living	80	65,499	682.89	559,105	44,728,366
Bungalows	44	56,875	630.36	814,807	35,851,528
Totals	**124**	**122,374**			**80,579,894**

NET REALISATION				**80,579,894**
OUTLAY				
ACQUISITION COSTS				
Residualised Price			45,734	
				45,734
Stamp Duty			457	
Effective Stamp Duty Rate		1.00%		
Agent Fee		1.00%	457	
Legal Fee		0.50%	229	
				1,143
CONSTRUCTION COSTS				
Construction	**ft²**	**Build Rate ft²**	**Cost**	
Assisted Living	95,139	191.63	18,231,819	
Bungalows	56,875	191.63	10,899,155	
Totals	**152,014 ft²**		**29,130,974**	
Contingency		5.00%	2,004,304	
Insurances		1.00%	400,861	
s106 costs			21,645	
				31,557,784
Other Construction				
Infrastructure			10,955,110	
OH&P			2,761,931	
				13,717,041
PROFESSIONAL FEES				
Professional Fees		10.00%	4,525,318	
				4,525,318
MARKETING & LETTING				
Marketing		3.00%	2,417,397	
				2,417,397
DISPOSAL FEES				
Sales Agent Fee		2.00%	1,611,598	
Sales Legal Fee		0.25%	201,450	
				1,813,048
MISCELLANEOUS FEES				
Start Up Costs			2,331,650	
				2,331,650
FINANCE				
Debit Rate 7.000%, Credit Rate 0.000% (Nominal)				
Total Finance Cost				8,054,800
TOTAL COSTS				**64,463,915**
PROFIT				
				16,115,979

Performance Measures

Profit on Cost%	25.00%
Profit on GDV%	20.00%
Profit on NDV%	20.00%
IRR% (without Interest)	16.89%
Profit Erosion (finance rate 7.000)	3 yrs 3 mths

APPENDIX H: CALCULATION OF START UP COSTS

Calculation of Start Up Costs

Total Units	124	
Service Charge	£7,500	
Council Tax	£3,400	The majority of units will fall in band G or H - rates for band G in St Stephens Paris are £3,114.97 and for band H are £3,737.96. We adopt an average of £3,400
Total Costs per Vacant unit	£10,900	per unit per annum
Phase 1	80	
Phase 2	44	
Total Units	124	

Total sales period from appraisal 3.33 years at 2 per month with an overlap between phases as we have apartments and cottages.

Units sold	Month	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Phase 1		2	2	2	2	2	2	2	2	2	2	2	2	2	2
Phase 2															
Units sold pm		2	2	2	2	2	2	2	2	2	2	2	2	2	2
Total units sold		2	4	6	8	10	12	14	16	18	20	22	24	26	28
Unsold Units for Service Charge		122	120	118	116	114	112	110	108	106	104	102	100	98	96
Service charge cost		76250	75000	73750	72500	71250	70000	68750	67500	66250	65000	63750	62500	61250	60000
Unsold Units for Council Tax		78	76	74	72	70	68	66	64	62	60	58	56	54	52
Council Tax Cost		22100	21533	20967	20400	19833	19267	18700	18133	17567	17000	16433	15867	15300	14733
Total Costs		98350	96533	94717	92900	91083	89267	87450	85633	83817	82000	80183	78367	76550	74733

Units sold	15	16	17	18	19	20	21	22	23	24	25	26	27
Phase 1	2	2	2	2	2	2	2	2	2	2	2	2	2
Phase 2					2	2	2	2	2	2	2	2	2
Units sold pm	2	2	2	2	4	4	4	4	4	4	4	4	4
Total units sold	30	32	34	36	40	44	48	52	56	60	64	68	72
Unsold Units for Service Charge	94	92	90	88	84	80	76	72	68	64	60	56	52
Service charge cost	58750	57500	56250	55000	52500	50000	47500	45000	42500	40000	37500	35000	32500
Unsold Units for Council Tax	50	48	46	44	84	80	76	72	68	64	60	56	52
Council Tax Cost	14167	13600	13033	12467	23800	22667	21533	20400	19267	18133	17000	15867	14733
Total Costs	72917	71100	69283	67467	76300	72667	69033	65400	61767	58133	54500	50867	47233

Total Cost £2,331,650

28	29	30	31	32	33	34	35	36	37	38	39	40
2	2	2	2	2	2	2	2	2	2	2	2	2
2	2	2	2	2	2	2	2	2	2	2	2	2
4	4	4	4	4	4	4	4	4	4	4	4	4
76	80	84	88	92	96	100	104	108	112	116	120	124
48	44	40	36	32	28	24	20	16	12	8	4	0
30000	27500	25000	22500	20000	17500	15000	12500	10000	7500	5000	2500	0
48	44	40	36	32	28	24	20	16	12	8	4	0
13600	12467	11333	10200	9067	7933	6800	5667	4533	3400	2267	1133	0
43600	39967	36333	32700	29067	25433	21800	18167	14533	10900	7267	3633	0

APPENDIX C: Paper for the Retirement Housing Group

COMMUNITY INFRASTRUCTURE LEVY

AND

SHELTERED HOUSING/EXTRA CARE DEVELOPMENTS

A BRIEFING NOTE ON VIABIILITY

PREPARED FOR RETIREMENT HOUSING GROUP BY

THREE DRAGONS

MAY 2013

AMENDED FEBRUARY 2016

Executive Summary

New provision of retirement housing (whether sheltered or extracare) is very patchy across the country and provision of sale housing in particular is focussed on the South East and South West with very limited delivery outside these locations.

In low to medium value areas it is already very difficult for retirement housing to compete with mainstream housing development. The introduction of CIL will have a negative impact on viability and further reduce supply. To date most local authorities have not carried out a viability appraisal of retirement housing as part of the evidence base which supports the CIL charging schedule. Those local authorities who have undertaken a viability appraisal have appraised extracare but not sheltered housing and have generally found that, like Care Homes and other C2 uses, newbuild sale extracare housing cannot support a CIL payment.

This paper seeks to provide evidence which will enable viability practitioners to appraise both types of retirement housing, even in those locations where no newbuild stock has recently been provided. It has been prepared by Three Dragons drawing on information provided by members of Retirement Housing Group.

Retirement housing schemes are generally less viable than general needs housing because of a range of factors including higher build costs per sq m, a higher proportion of communal space, lack of ability to phase development and longer selling periods. This will affect their ability to pay CIL and to provide affordable housing.

S106 obligations for retirement housing have generally been subject to negotiation to reflect both financial viability and the calls which the development makes on local facilities. CIL is a fixed charge which cannot take account of scheme viability. It is therefore important that CIL rates are set at a level which reflects the overall viability of particular types of development

Because retirement housing is higher density than general needs housing the introduction of CIL will increase the value of planning obligations sought from a development much more steeply for retirement housing than is the case for general needs family housing.

Local authorities and practitioners undertaking viability appraisal and assessing affordable housing need should therefore carry out specific case studies of older persons housing when setting CIL charging schedules and affordable housing targets. This will contribute to a robust analysis which will stand up at Enquiry.

This document deals specifically with viability appraisal and draws on general information provided by members of Retirement Housing Group (RHG) to provide broad guidelines on the costs and revenues associated with provision of sheltered and extra care housing. It will assist with viability appraisal where no locally specific information is available.

Three Dragons was commissioned by RHG to carry out specimen viability appraisals for high, medium and low value areas outside London using the cost and revenue data provided by RHG. The viability appraisal compared general needs family housing with specialist retirement housing, both sheltered and Extracare accommodation. The chosen specimen locations were

- Tunbridge Wells (high value area)
- Tewkesbury (medium value area)
- Coventry (low value area)

Schemes were modelled with the local authority's target percentage of affordable housing and no s106 obligations. In all locations general needs housing was more viable than retirement housing and sheltered housing was more viable than ExtraCare. In medium and low value areas it is not possible to provide retirement housing which meets the local authority affordable housing target even before the introduction of CIL. The introduction of CIL at £100 per sq m on market housing further reduces scheme viability when compared with general needs housing.

1. Recent delivery of retirement housing for sale and rent

We analysed unpublished data from the Elderly Accommodation Counsel which looks at provision of retirement housing by region. This shows that in the period from 2010 to 2012 207 schemes were developed of which 57% were for rent.

55% of all provision of retirement housing for sale was in the South East and 'South West (48 schemes). No other region had more than 9 schemes of retirement housing for sale.

	Sale schemes	**Rental schemes**	**All schemes**
EM	2	8	10
East	9	21	30
London	5	13	18
NE	3	0	3
NW	8	13	21
SE	27	29	56
SW	21	13	34
WM	8	10	18
Y+H	5	12	17
	88	119	**207**

2. Policy Context

This document is intended to provide background information to local planning authorities and their consultants when undertaking the viability analysis which informs a CIL Charging Schedule. It focuses specifically on retirement housing, including both sheltered and Extracare accommodation.

It draws on the experience of a wide range of retirement housing providers to summarise the key variables which determine viability and to demonstrate how these affect the viability of retirement housing provision compared with general needs housing.

Local planning authorities are required to make provision for all household types, including older people, when drawing up their Local Plan.

To deliver a wide choice of high quality homes, widen opportunities for home ownership and create sustainable, inclusive and mixed communities, local planning authorities should:

- *plan for a mix of housing based on current and future demographic trends, market trends and the needs of different groups in the community (such as, but not limited to, families with children, older people, people with disabilities, service families and people wishing to build their own homes);*
- *identify the size, type, tenure and range of housing that is required in particular locations, reflecting local demand*

NPPF para 50

Ministers have repeated their support for this policy objective and it is a key feature of the National Housing Strategy

Half of all households in England are older 'established homeowners'. Some 42 per cent are retired and 66 per cent own their own home outright. As life expectancy increases, more of these households will need support to remain in their homes in later life. Limited choice in the housing market makes it difficult for older households to find homes that fully meet their needs.

Laying the foundations: a housing strategy for England p9

> *"Imaginative housing schemes for older people can save money for the NHS and social services. They can also make it more attractive for older people to move out of their family homes, thereby helping to meet the pressing housing needs of young families"*
>
> ***Nick Boles 17 December 2012***

At present the majority of local planning authorities when setting their Community Infrastructure Levy do not differentiate specialist accommodation for older people from general needs housing and are applying the same CIL rate to both.

3. <u>How retirement housing differs from general needs housing</u>

There are several important differences between specialist retirement housing and general needs housing which make it inappropriate for a viability appraisal based on general needs housing to be applied to retirement housing.

Key differences between retirement housing and general needs housing include:

- Retirement housing is higher density than most general needs development: typically 100-120 dph compared with average densities of 30-70 dph for general needs housing
- Larger communal and non-saleable areas in retirement housing (eg common rooms, laundries, guest rooms, warden's office, dining room, special activity rooms)
- Higher build costs per sq metre for older persons housing than for general needs housing due to higher specifications of individual apartments and buildings.
- While revenue per unit is typically higher for specialist older person housing than for general needs flats, revenue per sq metre is not necessarily higher
- A slower return on investment as schemes need to be fully completed before sales are made as older people are less inclined to buy 'off plan' without seeing a dwelling, the communal facilities and/or meeting staff.
- Higher marketing costs to reach this older age group for whom a move is a discretionary choice often requiring consultation with extended family. Marketing costs are typically 6% of GDV compared to 3% of GDV for open market housing.
- Greater financial risk as phasing is not possible as with general needs housing as retirement developments are often built as a single block, meaning a development must be built out before any return is possible.
- Higher void costs as schemes take longer to sell than general needs housing and flats.
- Most schemes are on brownfield sites, which are often in short supply and have higher development costs.

- Higher land values as schemes work best when they are close to shops, services, GP practices and transport links, where older residents wish to live.

4. Standards of viability testing required by the CIL regulations

The Regulations that guide the setting of CIL allow charging authorities to set different rates for different **intended uses** of development. While the use class order[1] provides a useful reference point – CIL Charging Schedules do not have to be tied to it. The recent "Consultation Paper on Community Infrastructure Levy: further reforms" confirms that

Currently regulation 13 allows charging authorities to set different levy rates within their area. This can be done by reference to "zones" (regulation 13(1)(a)) and "different intended uses of development" (regulation 13(1)(b)). The revised Community Infrastructure Levy guidance has clarified that "uses" does not have the same meaning as "use class". (para 20)

Justification for setting different rates for different uses relies on a, "*comparative assessment of the economic viability of those categories of development*." [2]

While local authorities will want to avoid overly complex patterns of CIL charges, it is important that their charging schedule does not, "*impact disproportionately on particular sectors or specialist forms of development*".[3]

The Regulations therefore permit local authorities to carry out a viability assessment of all likely types of development. Just as different types of retail and leisure uses will have separate viability appraisals so too should different types of residential development including sheltered and ExtraCare housing.

5. Density and its impact on CIL and S106 obligations

Both CIL and S106 obligations bear more heavily on specialist retirement housing than on general needs housing. This is because higher density development attracts higher levels of both CIL (based on £ per sq m of market housing) and S106 obligations (based on total number of dwellings). The chart below shows the relative costs per hectare of a standard S106 contribution of £5,000 per dwelling compared with CIL of £100 per sq m and £150 per sq m at both 100% market housing and 30% affordable housing.

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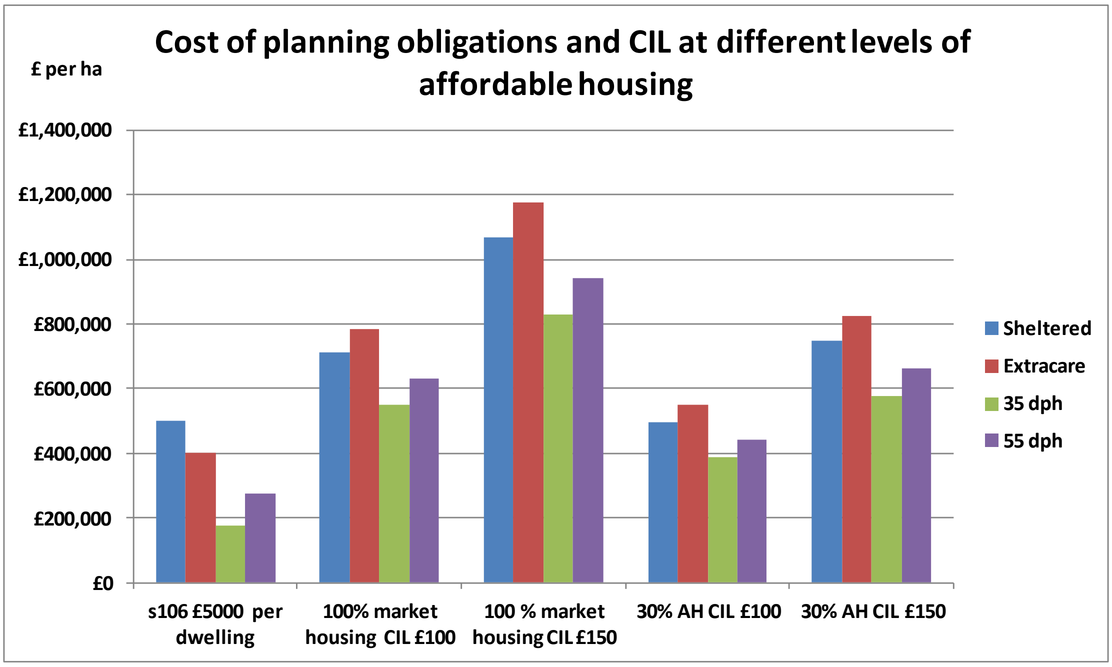
[1] Town and Country Planning Act (Use Classes) Order 1987

[2] Community Infrastructure Levy Guidance, DCLG Dec. 2012 (para 35)

[3] Ibid – para 37



In all circumstances retirement housing pays a higher level of planning obligation than general needs housing. The difference between CIL and S106 is that S106 was negotiable and related to the needs arising from the scheme in many cases retirement housing did not contribute to certain S106 requirements (eg education) and hence paid a lower rate per dwelling than general needs housing. That flexibility is lost with CIL.

6. Key variables affecting the viability of specialist older persons housing provision

Local Planning Authorities and their consultants need robust information on which to base any viability appraisal of retirement housing as distinct from general needs housing. This can be difficult to obtain at local level if there has been no recent development of retirement housing. RHG has therefore prepared the following generic examples of typical sheltered and extracare schemes which included key variables which can be applied in any area of the country.

Typical scheme size (0.5 ha site)

General Needs	15-20 family houses @ 30-40 dph	
	27-32 flats @ 55-65 dph	
Sheltered	50-60 units @ 100 -120 dph	
Extracare	40-50 units @ 80 -100 dph	

Typical mix retirement housing
Ranges from 60:40 1 bed : 2 bed to 40:60 1 bed : 2 bed apartments

House prices: Practitioners should use local market values for newbuild retirement housing where they exist. Where they do not exist the following formula is an indicative guide to the price of lower value units which are likely to be affordable by most local home owners.

Methods of price setting for retirement housing vary by location.
In medium and low value areas the price of a 1 bed sheltered property = approx 75% of price of existing 3 bed semi detached house. A 2 bed sheltered property = approx 100% of price of existing 3 bed semi detached
In high value areas with a high proportion of flats the price of a 1 bed sheltered property is linked to the price of high value flats, normally with a 10-15% premium

ExtraCare housing is 25% more expensive than sheltered: if a sheltered 1 bed flat sells for £100,000 then an extracare 1 bed flat will sell for £125,000

Unit sizes (sq m)	Sheltered	ExtraCare
1 bed	50	65
2 bed	75	80

Non-chargeable/communal space (%age of total area)	
General needs houses	nil
General needs flats	10%
Sheltered	20-30%
ExtraCare	35-40%

Build cost per sq m (Source BCIS),
Discussion with BCIS re the small sample size for ”sheltered housing with shops restaurants or the like” which was previously considered to cover ExtraCare housing suggests that this classification is now being used solely for Retirement Villages.

ExtraCare schemes are now covered by the general sheltered housing category. This distinguishes between sheltered housing generally, single storey, 2 storey, 3 storey and 4 or more storeys

Marketing costs are typically 6% of revenue compared with 3% of revenue for general needs houses and flats.

Sales periods are typically longer for retirement housing than for general needs housing. A rough guide is that 40% of unit will be sold at the end of the first year of sales, 30% during the second yesr of sales and 30$ during the third year. There is typically an 18 month build period before sales commence.

The economics of schemes which provide higher value (and cost) units will differ in detail from the example quoted but are unlikely to be significantly more viable when compared with general needs housing. Where the local authority believes that such schemes are likely to play a role in meeting local housing need a specific viability appraisal of this type of retirement housing will need to be carried out as part of the overall CIL viability appraisal.

Based on the parameters set out above Three Dragons was commissioned by RHG to carry out a viability appraisal of older persons housing compared with general needs housing development. Specimen sheltered and ExtraCare developments were modelled on a half hectare site in three locations:

- Tunbridge Wells (high value area)
- Tewkesbury (medium value area)
- Coventry (low value area)

and compared with the most viable form of general needs housing which could have been provided on the same site, family housing at 35 dph.. The three locations were chosen as typical of high, medium and low value locations outside London.

The output was a residual land value per hectare (ha) for each form of development. It was assumed that for retirement housing to compete in the land market residual land value must be equal to the residual land value achieved for general needs housing

The table below shows residual land values for the three different types of development in each of the three locations. All schemes were modelled with the target percentage of affordable housing.

Affordable housing at the LA target %age **No S106 obligations**	**residual land value per hectare (£)**		
	general needs housing	**sheltered housing**	**ExtraCare**
Tunbridge Wells – 40% AH	£4,000,000	£3,250,000	£2,000,000
Tewkesbury – 30% AH	£1,000,000	-£1,375,000	-£3,000,000
Coventry – 25% AH	-£300,000	-£3,250,000	-£3,500,000
Add CIL @ £100 per sq m on market housing			
Tunbridge Wells *CIL* *Residual land value*	*£205,000* £3,795,000	*£430,000* £2,820,000	*£470,000* £1,530,000
Tewkesbury *CIL* *Residual land value*	*£240,000* £760,000	*£500,000* -£1,875,000	*£550,00* -£3,550,000
Coventry *CIL* *Residual land value*	£255,000 -£555,000	£535,000 -£3,785,000	£600,000 -£4,100,000

- In all locations general needs housing was more viable than sheltered or ExtraCare housing.
- Sheltered housing was more viable than ExtraCare housing.

- In Tunbridge Wells (high value area) all three schemes produced a positive land value at the local authority affordable housing target even with CIL at £100 per sq m, but residual land value was higher for general needs housing than for retirement housing.
- In Tewkesbury (medium value area) retirement housing produced a negative land value at the local authority affordable housing target both with and without CIL
- In Coventry all three schemes produced a negative land value at the local authority affordable housing target both with and without CIL..

7. Conclusions

The introduction of CIL has a more significant impact on retirement housing than on general needs housing because of the greater density (and hence higher sq metres) of development.

S106 requirements were also potentially more onerous for retirement housing than for general needs housing but because these were negotiable dependent on financial viability and specific requirements related to the development there was more flexibility to ensure that the planning obligations sought were related to the specific viability of the development.

The viability of older persons housing provision when compared with that of general needs housing varies by location. Local authorities and practitioners undertaking viability appraisal should therefore carry out specific case studies of older persons housing when setting CIL charging schedules. This is permitted by the CIL regulations and will contribute to a robust analysis which will stand up at Enquiry. The information provided in this document will assist with viability appraisal where no locally specific information is available.

APPENDIX D: BCIS CONSTRUCTION COSTS

£/m2 study

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

Last updated: 09-Oct-2021 00:39

› Rebased to 4Q 2021 (345; forecast) and St Albans (102; sample 22)

Maximum age of results: 5 years

Building function (Maximum age of projects)	£/m² gross internal floor area Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	Sample
New build							
810. Housing, mixed developments (5)	1,318	753	1,180	1,296	1,422	2,910	389
810.1 Estate housing							
Generally (5)	1,335	733	1,132	1,272	1,446	4,703	231
Single storey (5)	1,544	898	1,165	1,453	1,695	4,703	49
2-storey (5)	1,266	733	1,110	1,240	1,378	2,163	177
3-storey (5)	1,594	1,272	-	1,568	-	1,967	4
810.11 Estate housing detached (5)	2,500	1,117	1,767	2,163	2,747	4,703	5
810.12 Estate housing semi detached							
Generally (5)	1,307	803	1,139	1,295	1,411	2,365	54
Single storey (5)	1,396	1,051	1,137	1,331	1,555	2,365	21
2-storey (5)	1,250	803	1,146	1,263	1,357	2,021	33
810.13 Estate housing terraced							
Generally (5)	1,387	880	1,145	1,350	1,484	1,967	22
2-storey (5)	1,311	880	1,131	1,296	1,456	1,849	19
816. Flats (apartments)							
Generally (5)	1,516	860	1,250	1,411	1,714	3,375	206
1-2 storey (5)	1,472	940	1,207	1,371	1,595	2,176	48
3-5 storey (5)	1,505	860	1,257	1,408	1,690	3,375	132
6 storey or above (5)	1,646	1,171	1,388	1,646	1,826	2,348	26
843. Supported housing							
Generally (5)	1,709	1,084	1,447	1,553	2,014	3,080	27
2-storey (5)	1,858	1,084	1,512	1,553	2,130	3,080	11
3-storey (5)	1,502	1,106	1,345	1,443	1,587	2,073	9
4-storey or above (5)	1,572	1,180	-	1,635	-	1,837	4
843.1 Supported housing with shops, restaurants or the like (5)	1,556	1,308	-	1,405	-	2,106	4

APPENDIX E: AGE RESTRICTED VIABILITY EXPERIENCE

Address	Planning Authority	Planning Reference	Description	Summary of Planning	Unit Type	Result
Watersplash Hotel, The Rise, Brockenhurst, SO42 7ZP	New Forest National Park Planning Authority	16/00307	Application submitted for partial demolition, alterations and extensions to former hotel building and construction of 3 villas to create 24 age restricted flats includes SUDS with communal and support facilities car parking cycle parking landscaping new vehicle and pedestrian access stopping up of vehicle access removal of swimming pool. The associated works include sewer systems, landscaping, infrastructure and enabling.	24 Retirement Flats	Retirement Living	FVA submitted by GL Hearn and independently reviewed by the Council's consultants. It was accepted that a contribution towards affordable housing was not viable.
The Glashaus, 74 Portsmouth Road, Cobham, KT11 1HY	Elmbridge Borough Council	2017/1494	Application submitted for development comprising of 2 part three/part four storey blocks with ground floor link to provide 53 one- three bedroom (age restricted) residential flats with associated parking, landscaping and amenity areas following demolition of building. The associated works include sewer systems, cable laying, landscaping, infrastructure, enabling works and access roads.	53 Retirement Flats (1 beds)	Retirement Living	As above.
Guildford Plaza, Portsmouth Road, Guildford, GU2 4BL	Guilford Borough Council	17/P/00920	Proposed assisted living accommodation for older people (Sui Generis) comprising 100 apartments, communal facilities including residents lounge, guest suite, health and well-being facilities, café/restaurant, staff offices, basement car parking, cycle parking, bin storage, plant room, associated hard and soft landscaping, and groundworks (amended description, amended plans and documents received 17/08/2017) (additional elevational drawings received).	100 Assisted Living Flats	Assisted Living/Extra Care	As above.
Queen Victoria House, Redland Hill, BS6 6US	Bristol City of	15/01681/F	Planning application submitted for the demolition of single storey extension and the conversion of existing building and erection of new accommodation to provide assisted living development for older people comprising apartments integrated with communal and support facilities, car parking and landscape works. For the erection of a five storey apartment block and a four storey apartment block within the curtilage of the House to provide a total of 65 retirement apartments for assisted living and communal facilities.	65 Retirement Flats	Assisted Living/Extra Care	As above.
Former Central Garage, Sutton Park Road, Seaford, BN25 1QX	Lewes District Council	LW/15/0421	Application submitted for demolition of the former garage building and construction of a five storey building comprising 38 retirement apartments, basement car park, access and landscaping. The associated works include sewer systems, landscaping, infrastructure, enabling works, cable laying and access roads.	38 Retirement Flats	Retirement Living	As above.
The Knowle, Station Road, Sidmouth, Devon, EX10 8HL	East Devon District Council	16/0872/MFUL	The construction of an assisted living community for older people comprising extra care units, staff accommodation and communal facilities, including a kitchen, restaurant/bar/cafe, a well-being suite comprising gym, treatment rooms and pool, a communal lounge and storage facilities; car parking for residents, visitors and staff of the assisted living community; comprehensive landscaping comprising communal and private spaces; and associated groundworks.	113 units	Assisted Living/Extra Care	As above.
36-40 St Johns Rd, Royal Tunbridge Wells, Kent, TN4 9NX	Tunbridge Wells Borough Council	17/00731/FULL	Application submitted for demolition of buildings and structures and construction of 3 new buildings comprising 89 units (29 one- bedrooms units, 48 two-bedrooms units and 12 two bedrooms + units) to provide extra care accommodation for older people (sui generis use) comprising of extra care units, guest suite, staff accommodation, communal facilities and storage facilities; Car parking and storage for mobility scooters and cycle parking; comprehensive landscape strategy comprising communal spaces and gardens for use by residents and provision of refuse storage; Creation of new vehicular access from Woodbury Park Road and drop-off point along St Johns Road and associated infrastructure and earthworks. The associated works include sewer systems, cable laying, landscaping, infrastructure, enabling works and access roads.	89 Asissted Living Flats (No.29 1 beds, no.48 2 beds, and 12 2 bed + units).	Assisted Living/Extra Care	As above.
Clive House 12-18 Queens Road, Weybridge, Surrey, KT13 9XB	Elmbridge Borough Council	2018/2252	Part two / part three storey detached building with basement and rooms in the roof, to provide 31 apartments (age restricted) with associated landscaping, new access onto Queens Road, parking, garden store, greenhouse and refuse store following demolition of the existing building and structures on Site.	31 Retirement Flats	Retirement Living	As above.
Former Advanta Seeds Site, Boston Road, Sleaford	North Kesteven District Council	18/0745/OUT	Outline planning application for engineering works, clearance of existing and the erection of a mixed use commercial development. Development to comprise of 6 retail units, a C2 retirement living use, an A3/A5 use and a replacement bowls club facility. In respect of land with access taken from Boston Road, Sleaford.	Retirement living facility providing 5,574 sq ft of floor space (with up to 58 rooms). In addition to 5 non retail, 1	Assisted Living/ Extra Care	FVA submitted by GL Hearn and independantly reviewed by the Council's consultants. A contribution of **£100,000** was accepted by the applicant and Council.

				food retail, a drive through coffee shop + car parking.		
Belle View', Bartrams Convent, Rowland Hill Street, Hampstead, NW3 2AD	Camden	2014/6449/P	Planning application submitted for the demolition of the existing student hostel building (sui generis) and replacement with a part three, four, six, 10 storey building plus two basements to provide extra-care accommodation for older people (sui generis), comprising 60 x one and two bedroom flats and associated communal facilities including restaurant, health and well-being facility, treatment rooms, lounge and staff facilities, plus basement level parking for 29 cars, cycle and mobility scooter parking, basement and 9th floor plant, ground floor communal gardens, and third and sixth floor roof terraces.	no.60 1 and 2 bedroom extra care flats.	Assisted Living/ Extra Care	The viability assessment demonstrated that the AH contribution falls below the policy target the Council require a Deferred Affordable Housing Contribution (DAHC), triggering a viability re-appraisal postcommencement. The maximum Affordable Housing Deffered Contribution in the S106 is the sum of **£7,818,825**. We are currently undertaking a review and although the GDV may have increased, so have costs. So we believe there to be a nil affordable housing contribution.
Arthur West House 79 Fitzjohn's Avenue London Outer London NW3 6PA	Camden	2014/7851/P	Planning application submitted for the demolition of hostel and erection of four - six storey building plus roof plant enclosure and excavation of two storey basement comprising 42 self-contained specialist accommodation flats for the care and well-being of older people (10 x one-bed and 32 x two-bed) including ancillary extra- care and treatment rooms, restaurant, health and well-being facility, gym, communal lounges, guest suite, cycle and mobility scooter storage and staff facilities with basement level parking for 33 cars, communal garden and associated landscaping.	42 Retirement Flats (No.10 2 beds, No.32 2 beds)	Retirement Living	As the viability assessment demonstrates that the AH contribution falls below the policy target the Council require a DAHC, triggering a viability re-appraisal post-commencement. As such, it is considered that the development makes the maximum reasonable contribution to affordable housing, as underscored by the viability assessment, subject to a legal agreement requiring a DAHC review take place when 80% of flats are sold. The maximum Affordable Housing Deffered Contribution in the S106 is the sum of **£7,327,250**. We are currently undertaking a review and although the GDV may have increased, so have costs. So we believe there to be a nil affordable housing contribution.
John Dower House, Cheltenham, GL50 3RA	Cheltenham	16/01499/FUL	Application submitted for Demolition of existing 1970's rear extension to John Dower House, former coach house building at South Court and 66 St Georges Place; conversion of John Dower House; and construction of new buildings to accommodate retirement housing development comprising 80 apartments and shared facilities including lounge, communal gardens, new pedestrian route (daytime only) between St Georges Place and Clarence Street, underground residents' car park, cycle parking, bin storage, and other associated services. The associated works include sewer systems, landscaping, infrastructure, enabling and access roads.	80 Retirement Flats	Retirement Living	For the revised scheme an increased offer of **£477,550** towards affordable housing was offered by the applicant and accepted. The sum was increased on a pro rata basis to account for the additional 12 residential units.
Eskdale Terrace Newcastle-Upon-Tyne Tyne & Wear NE2 4DS	Newcastle upon Tyne	2017/1733/01/DET	Application submitted for demolition of buildings and re- development to provide 63 retirement apartments with shared facilities, alterations to front boundary wall, piers and gates, provision of 40 car parking spaces, cycle parking, refuse storage, first floor amenity deck and boundary treatment to rear with sustainable drainage system. The associated works include sewer systems, landscaping, cable laying, infrastructure, enabling works and access roads.	63 Retirement Flats	Retirement Living	Affordable Housing contribution of **£180,000** was accepted by the applicant and Council.
Land to the East of Reading Road, Lower Shiplake, Oxfordshire. RG9 4BG	South Oxfordshire	APP/Q3115/W/19/3220425/O	Planning appeal in respect of - the development of land to the east of Reading Road to consist of an extra care development of up to 65 units comprising of apartments and cottages (Use Class C2); associated communal facilities; provision of vehicular and cycle parking together with all necessary internal roads and footpaths; provision of open space and associated landscape works; and ancillary works and structures	65 Apartments and Cottages	Extra Care Village	Appeal allowed – no affordable housing contribution required
Site of Former Hazeldens Nursery, London Road, Albourne. BN6 9BL	Mid Sussex District Council	APP/D3830/W/19/3241644	Planning appeal in respect of - Outline application for an extra care development of up to 84 units (comprising of apartments and Cottages) all within Use Class C2, associated communal facilities, 2no. Workshops; provision of vehicular and cycle parking together with all necessary internal roads and footpaths; provision of open space and associated landscape works; and ancillary works and structures. Works to also include the Demolition of the existing bungalow on the site. All matters to be reserved except for access.	84 Apartments and Cottages	Extra Care Village	Appeal allowed – no affordable housing contribution required
Site at Little Sparrows, Sonning Common, Oxfordshire,	South Oxfordshire	APP/Q3115/W/20/3265861	Planning appeal in respect of - Hybrid planning application for the development of a continuing care retirement community care village (Use Class C2) of up to 133 units with ancillary communal and care facilities and green space consisting of (i) A full planning application for 73 assisted living units within a "village core" building with ancillary communal and care facilities, gardens, green space, landscaping and car parking areas	133 Apartments and Cottages	Extra Care Village	An affordable housing Contribution was agree in respect of off site affordable housing.

RG4 9NY			and residential blocks B1-B4; and. (ii) An outline application (all matters reserved except access) for up to 60 assisted living units with ancillary community space, gardens, green space and landscaping and car parking areas			
Land North of Barnack Road Stamford PE9 2NB	South Kesteven District Council	App/s20/2056	Planning Application for - Demolition of existing factory premises (excluding original factory building at south western edge of site). Erection of a high quality mixed use development comprising; Class E development of offices and workshops (10,000m2 (GIA)), local foodstore and café; c190 dwellings including 30% affordable housing (Class C3); a retirement village including ancillary facilities (Class C2); public open space including strategic landscaping at the eastern end of the site; and all associated infrastructure. Means of access provided off Barnack Road through adaptation of existing vehicular access points as necessary. Secondary pedestrian and cycle access via Edgar Gardens	Circa 150 Apartments and Cottages	Extra Care Village	FVA submitted by Newsteer and independently reviewed by the Council's consultants. It was accepted that a contribution towards affordable housing was not viable.

APPENDIX F: HOME BUILDERS FEDERATION – CHALLENGES TO DEVELOPMENT IN THE RETIREMENT HOUSING SECTOR

APPENDIX

Challenges to Development in the Retirement Housing Sector

Summary

This paper has been produced by the Home Builders Federation (HBF) Retirement Home Builders Group. Details of members of the Group who are housing developers can be found at the end of the report.

The report outlines the need for, and the benefits of, building more specialist retirement housing for older people, and then identifies some of the challenges that currently exist in the sector.

The key planning challenges are illustrated by looking at a worked example of schemes which could be built on a particular site. It shows that under current planning requirements, specialist retirement housing cannot compete with conventional housing, care homes or retail outlets, which will also be seeking similar sites to develop, unless necessary allowance is made for its circumstances.

The report then identifies some key changes that could help support a greater delivery of specialist retirement housing.

The case for building more specialist retirement housing

The UK population aged 65 and over is currently 11.5 million people, however this age group is projected to account for 74% of total household growth in England to 2039, by when the over 65s are forecast to comprise some 24.3% of the population (or 18 million people). The population of those aged 85 or over in the UK is expected to more than double between 2014 and 2039, with those aged 60 and over expected to increase by nearly 50% during the same period.

An expanding population coupled with a well-recognised shortfall in the delivery of new homes has created one of the major pressure points in the housing market.

While schemes have been launched, quite rightly, to help first-time buyers purchase homes, there has been less, (in fact, very little), attention paid to the other end of the market – that of people building homes suitable for the needs and aspirations of older people. As such, we welcome the investigations of the Select Committee on this issue.

There are several benefits of creating a system that encourages the development of specialist retirement housing, which we examine below but alongside this, we recognise that not every older person will want to downsize or move from a family home. Whilst they should be actively encouraged to downsize given the personal and social benefits of doing so, and the significant gains to local communities and the public purse, these older homeowners should also be given access to help to make their home suitable for their needs.

There are however a significant number of older homeowners who would consider downsizing or moving to specialist retirement housing[23]. The estimated numbers range from 2.5 million households to 6 million people. Smoothing the path for this to happen could have wide ranging benefits across the market.

Looking at the housing market as an interconnected sector, it is evident that creating more housing specifically for older people and encouraging downsizing can help first-time buyers and growing families by **freeing up housing further down the housing chain**.

[23] http://england.shelter.org.uk/news/previous_years/2012/april_2012/housing_market_failing_older_people
https://kfcontent.blob.core.windows.net/research/696/documents/en/2016-3770.pdf

It is evident[24] that encouraging older people to choose housing more suited to their needs will lead to **less pressure on health and social care services**, as the community and facilities in and around housing specifically designed for those in later life can reduce the number of 'crisis' events (e.g. trips and falls) and improve well-being and general health.

At present, there is limited stock of specialist retirement housing available. There are several key planning and development issues at the heart of this, which we shall address in this report.

In addition, among potential buyers, there is a lack of familiarity with the sector – with many assuming that all specialist retirement housing is a form of 'Care Home'. This is perhaps further complicated by the wide range of retirement housing models with differing facilities and amenities on offer. A standard set of references could help in this area, and we have laid out a potential blue-print for this below.

The data currently available for the retirement housing sector from the Elderly Accommodation Counsel suggests that some 6,855 retirement and sheltered housing units will be delivered in 2017. Most of this will be in the social rented sector, which has grant funding. Knight Frank estimate annual output at c5,500 units. There are no central Government figures.

<u>What do we mean by specialist retirement housing?</u>

Specialist retirement housing is proposed as an umbrella term to cover all types of specialist housing for older people from 'age-restricted' housing to 'extra-care accommodation'. A definition of the four forms of housing that sit within the term 'specialist retirement housing' are detailed below. The common features of all four types are the age restriction, their specific design to meet the needs of older people, and a range of support services and shared spaces.

Downsizer (Age-restricted housing) *- typically for those aged 55 or above and the more active elderly. Often flats or bungalows, though some developers build houses which are purpose built for older people with shared amenities such as communal gardens or coffee lounges. On-site staffing is limited typically to just the maintenance of the development and its grounds. Developments are usually up to 30 units in size. Some shared areas may be provided. Historically referred to as "Category 1 housing".*

Retirement Living *– age restricted housing, typically for those aged 60 and above. Formerly referred to as "Category 2 housing" or sheltered housing and consisting of independent flats and / or bungalows with enclosed access, a communal lounge and other limited communal facilities such as a shared laundry and a guest suite. Importantly, on-site support is provided by a warden or house manager who is dedicated to the running of the development. Developments are typically between 30 to 60 units in size.*

Extra Care Housing *- Age restricted accommodation, also known as Assisted Living, typically for those aged 70 and above. The term is used for a complex of specialised accommodation, including individual apartments for older people and a range of on-site services including care in a style that can respond flexibly to increasing need whilst fostering independence as far as is possible in older age. In most Extra Care accommodation, people enter the unit of accommodation and the care services they receive are delivered into that unit as their needs increase with age or in the short term due to illness, post recuperative care etc. Significant shared services will be provided, such as a residents' lounge, restaurant with on-site kitchen, function room, laundry, guest suite, well-being centres, hairdressers, and staff rooms, Developments are typically between 40 to 70 units in size. This form of specialist retirement housing was historically known as "Category 2½ housing"*

Care Villages / Continuing Care Retirement Community*. Age restricted accommodation typically for those aged 70 and above. Similar to Extra Care but often much larger with some developments being up to 200 units. Schemes typically have higher levels of care which are generally delivered by transfer within the scheme from an independent living unit, in which low to moderate care is delivered, to a specialist unit or care home as resident's needs progress.*

For the avoidance of doubt the umbrella term of 'specialist retirement housing' does not cover traditional forms of residential institutions such as Care or Nursing homes. These are entirely separate and fall outside the scope of this report.

[24] https://www.independentage.org/sites/default/files/2016-05/APPG_-_Living_Well_at_Home_Inquiry-Digital.pdf

Development Economics:

The economics of developing specialist retirement housing are substantially different from that of 'general needs housing', by which we mean conventional / mainstream market housing not aimed at a particular demographic.

The principal difference being the extent of saleable space and build cost. In most forms of specialist retirement housing, with perhaps the exception of some forms of 'Downsizer' (age restricted retirement housing) a significant proportion of the scheme will be dedicated to communal space. This cannot be sold.

The planning system exacerbates this problem and affects the viability of specialist retirement housing, as Community Infrastructure Levy (CIL) payments are calculated using the Gross Internal Area (GIA) of a scheme. This will include the non-saleable communal areas.

The problem is further augmented by the fact that specialist retirement housing schemes, especially those offering on site supervision and care, tend to be higher in density.

Taking advantage of economies of scale is the only model which makes the cost of staffing and operating such schemes workable. The alternative would be much higher weekly charges for residents.

However, the result of higher density is higher CIL charges and a larger requirement for Affordable Housing.

Build costs are also higher than for conventional housing as specialist retirement housing is built with specific design requirements and features to better suit the needs of older people.

The impact of higher CIL charges and S106 requirements is that schemes start to become unviable. Whilst developers of general needs housing and / or commercial uses can bid at one level for development land, retirement operators struggle to compete. This impedes **the delivery of specialist retirement housing right at the start of the process before schemes come before planners – i.e. those seeking to deliver specialist retirement housing are not able to operate on a level playing field at the point of land acquisition if they face the prospect of CIL and S106 requirements levied on a normal basis**. While it is possible to negotiate with local authorities on such requirements, this adds significantly to the time, risk and resource costs of seeking to take such developments forward, particularly when the specific development economics involved are often not well understood by planners.

This is shown clearly in the worked example of valuations for six different types of schemes.

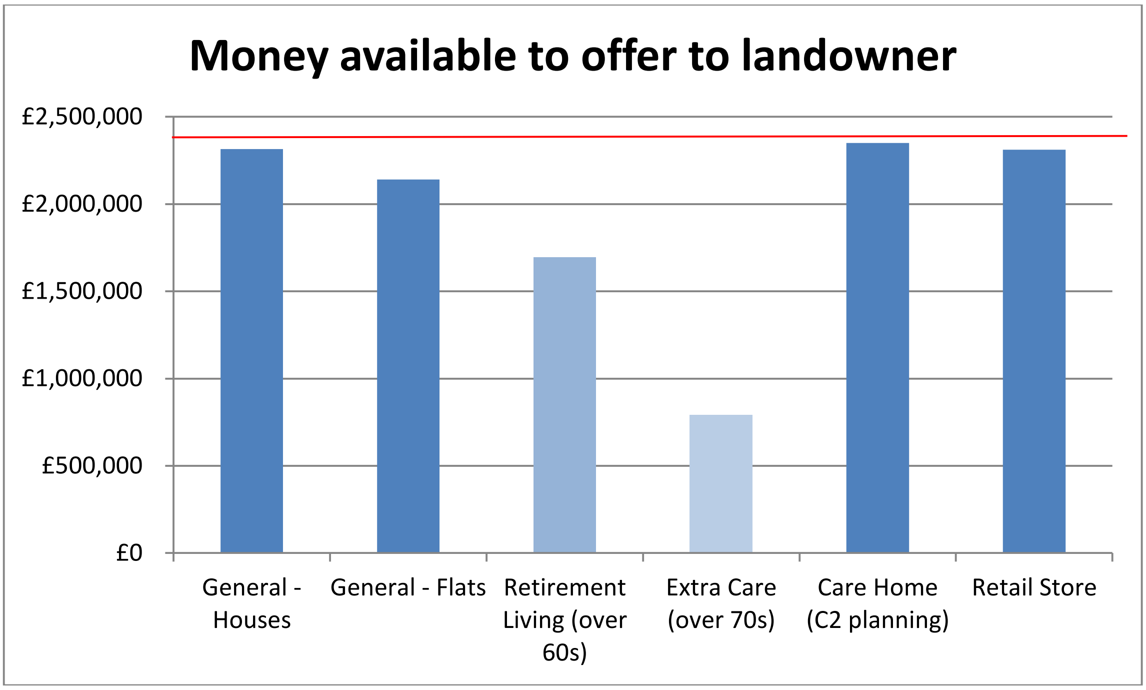
The data[25] provided by Planning Issues, takes, as an example, a 0.4 hectare brownfield site in the South East of England, ten minutes from the local town centre. It examines the detailed valuations for six separate schemes. These are:

- General Needs Family Housing
- General Needs Flats
- Retirement Living
- Extra Care
- Care Home
- Retail Store

The comparison charts are at the back of this report. Planning Issues can provide a full detailed valuation for each scheme if required.

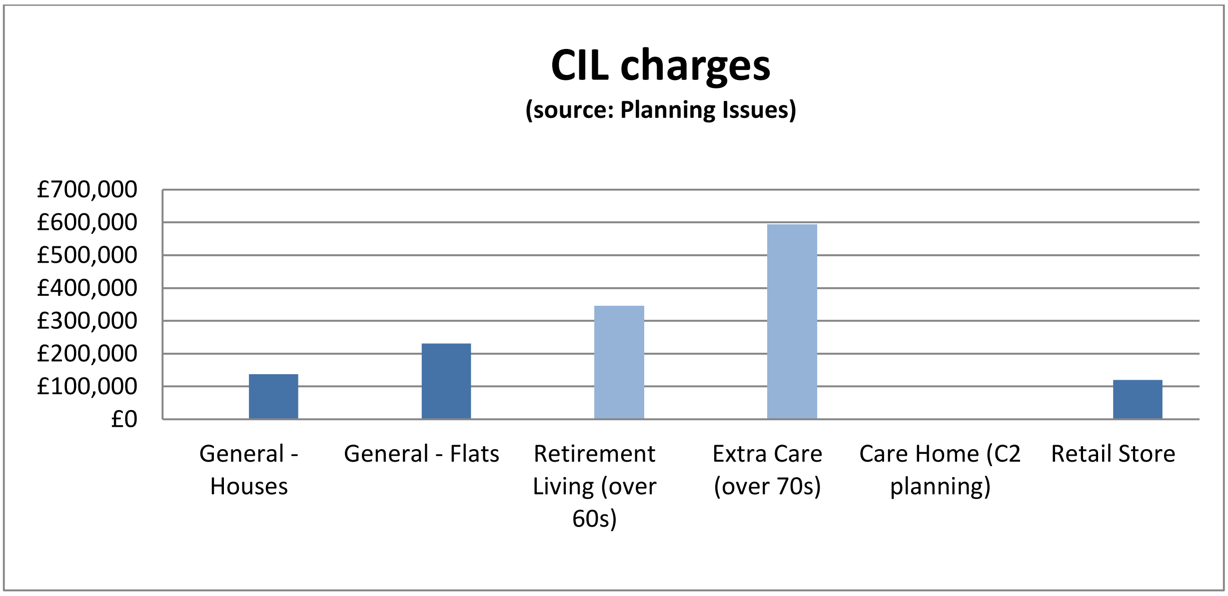
The two specialist retirement housing schemes (one Retirement Living and one Extra Care) are both **higher density** than the other schemes, leading to larger Gross Internal Areas (GIAs). This means that the **Gross Development Values are higher** than other schemes that could be built on the site, as shown below.

[25] Planning comparison – end of report

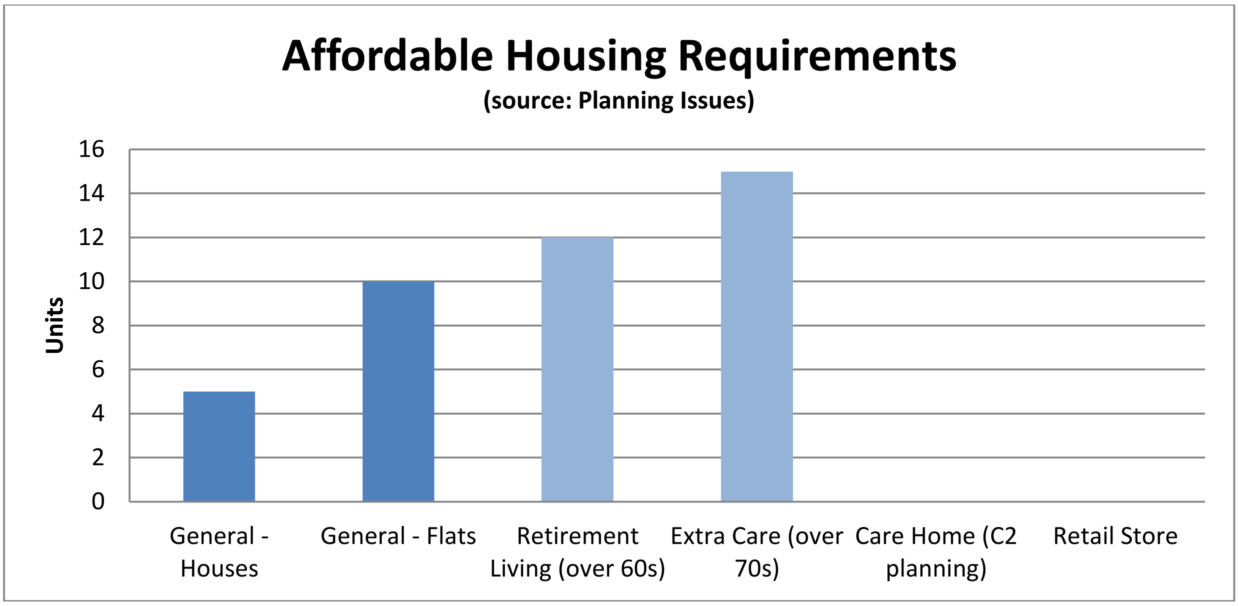


However, the true developable area within the GIA is smaller for the specialist retirement housing schemes. While the efficiency for the general flatted development is 85%, allowing for the circulation space within such a scheme, this drops to 75% for Retirement Living and 65% for Extra Care.

Yet, despite this, the **Community Infrastructure Levy (CIL)** is calculated off GIA. As such, the **charges for specialist retirement housing are higher** than for other forms of development. Care Homes, which are classed in planning class C2, rather than the C3 class applied to residential and most specialist retirement housing, usually attracts no CIL.



Given that **Affordable Housing (S106)** requirements are also calculated from the number of units in a scheme, rather than a consideration of the scheme as a whole, the **requirements for specialist retirement housing are also higher.**

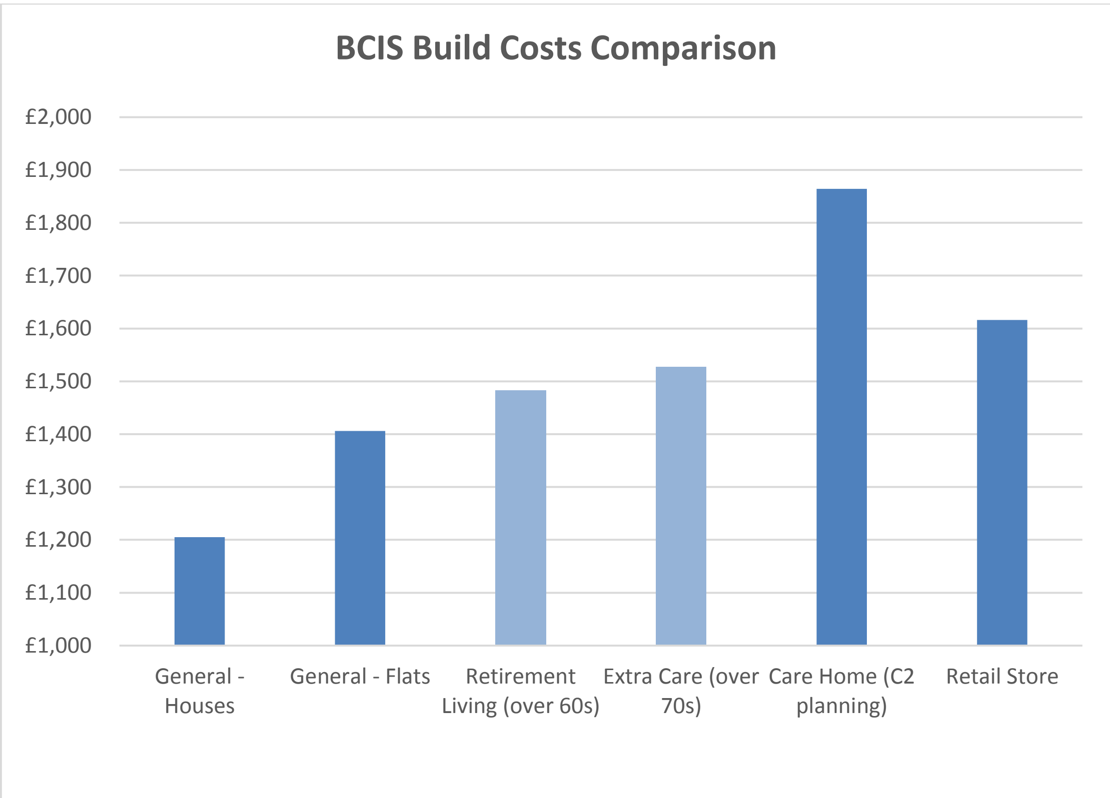


So while the overall Gross Development Value is higher for specialist retirement housing schemes, the additional costs for development are also significantly higher under the current system.

Several other considerations also come into play here. Firstly, the **lack of pre-sales** in a Retirement Living and Extra Care housing scheme (the communal areas must all be complete and operating before anyone can move in) means that cash-flow is more restricted than general needs housing. In addition, there is usually **little or no phasing**, again affecting cash flow.

Unlike conventional housing, there is also a **cost** to the developer when **units remain unsold** as all services must be maintained. This has been assumed, for the purposes of our example site, at £300 per month per unit for Retirement Living, and £475 per month per unit for Extra Care.

Build Costs are also higher for specialist retirement housing schemes than conventional housing, although not as high as for Care Homes or Retail.



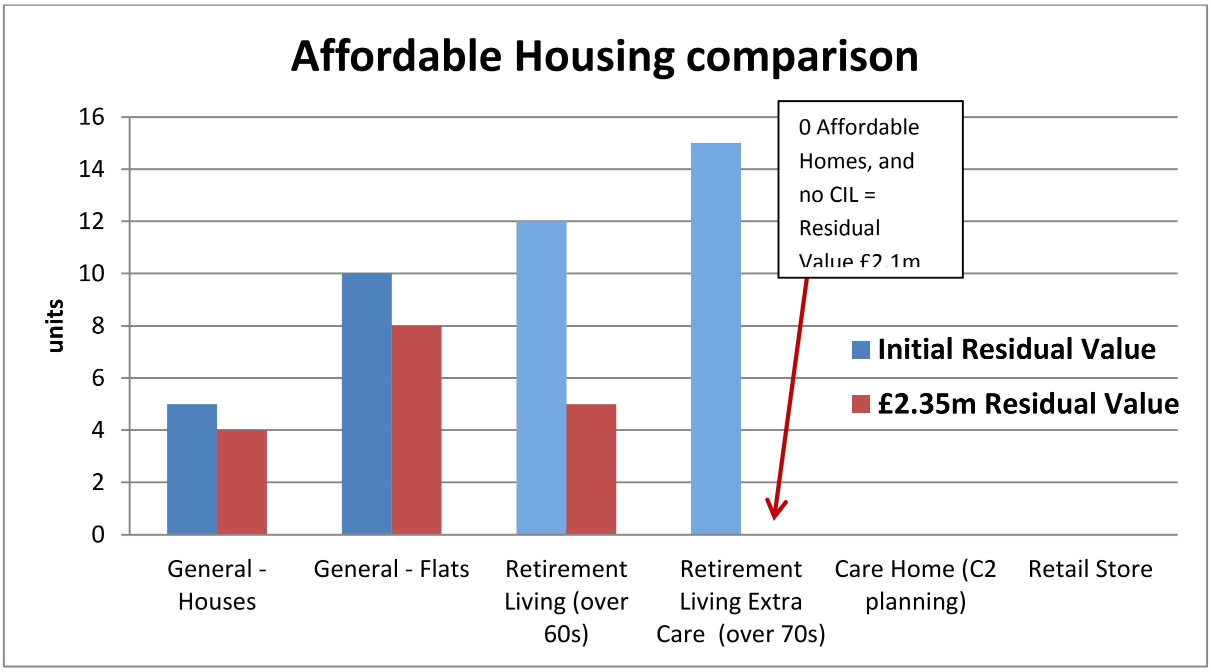
Once these factors are taken into consideration, the valuations start to look very different.

Assuming all other things are equal, the residual land value – the sum that could be bid for the site, shows how specialist retirement housing schemes lag behind. The Residual Value for a Care Home reaches £2.35 million – making this a possible benchmark for bids on the site.

Under current planning rules, it is hard for specialist retirement housing operators to compete for development land on the open market.

Planning Issues have calculated how S106 Affordable Housing requirements would have to change on each scheme to bring the bid levels to £2.35 million, to match the Residual Value of the Care Home scheme.

Even if the Affordable Housing requirement for a Retirement Living scheme with Extra Care was lowered from 15 units to zero units, and CIL was waived entirely, the Residual Land Value is still marginally below £2.35 million.



The worked example shows how a change of approach may be needed in terms of specialist retirement housing. There is an ageing population, and creating more housing targeted to need could free up family homes and reduce pressure on health and care services.

<u>So what are the Challenges?</u>

<u>CIL</u>

<u>Challenge</u>: As exemplified in the worked example, when applied with no reference to the special characteristics of these forms of housing as a whole can affect the viability of Retirement Living and Extra Care housing schemes. Local Authorities (LAs) do have some discretion over the setting of these charges, but the experience of developers in the HBF Retirement Home Builders Group is that this is very infrequently applied.

<u>Possible Action</u>: Create an environment where LAs take more control over CIL payments, or reform the system to create more flexible CIL payments. The specific characteristics and circumstances relating to the development of specialist retirement housing need to be considered under the proposals for a wholesale reform of CIL to a lighter touch 'Local Infrastructure Tariff' (LIT) and Strategic Infrastructure Tariff (SIT) . There is a need to ensure that any new approach

should not actually become more onerous for such development. Any move to a new form of levy should have the flexibility to be used differently on different types of schemes.

S106

Challenge: As with CIL, LAs are applying general rules on S106 to specialist retirement housing schemes which can affect viability.

Possible Action: To deliver more homes in an area, LAs who make realistic assessments for specialist Retirement housing developments based on individual schemes will be more likely to deliver suitable housing for their locality. Some planning guidance to help LAs approach negotiations on these points could be a useful development for this sector.

One way of addressing the current imbalance in the planning system would be to create a new planning use class with policy / guidance directing that S106 and CIL requirements are more akin to those for developments in a C2 class (Care Homes). A sub-section of C2 has been suggested, attracting a smaller or zero planning obligation. This would make the question of charging much clearer.
Overcoming the issues above could also be progressed by including much more detailed information on housing need in Local Plans – considering not just the number of new homes needed but also the **type** of housing needed, i.e. considering who the homes are for.

There are positive signs that policy is moving towards considering the type of housing needed. For example, the London Plan outlines targets for specialist housing for older people by tenure[26].

In addition, an amendment added by the Government to the Neighbourhood Planning Bill (which has yet to be enacted) proposes that a statutory duty be placed on the Secretary of State to guide LAs on how their approach should incorporate the needs of housing for older people[27]. The Housing White Paper also re-iterated a previously discussed idea of assessing housing need by age.

Possible Actions: There is room for more progress in this area, with the needs of older households placed alongside all other households in an Authority. There are several steps along the planning and development pipeline which could enshrine this approach:

- LAs given guidance on assessing needs of older people when drawing up Strategic Housing and Employment Land Availability Assessments (SHELAAs)
- Include a statutory requirement for Local Planning Authorities to have a housing target for specialist retirement housing to be delivered over the Plan Period. This would function in a similar manner to the existing Affordable Housing target.
- Local Plans to include consideration of needs for specialist housing for older people
- LAs to monitor and publish delivery of specialist housing for older people in their Annual Monitoring Reports

Monitoring and assessing progress will be key, to help identify LAs which may need more support to examine the need for specialist housing in their areas.

Attached: Worked Example

For information: housing developers who are members of the HBF Retirement Home Builders Group (not all of these companies are building specialist retirement housing):

Phoenix Retirement Homes Ltd
Churchill Retirement Living Ltd
Linden Homes
Pegasus Life Limited
County Life Homes Ltd

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[26] https://www.london.gov.uk/what-we-do/planning/london-plan/current-london-plan/london-plan-annexes/annex-five-specialist

[27] https://www.publications.parliament.uk/pa/bills/cbill/2016-2017/0157/hcb157.1-7.html

McCarthy & Stone Retirement Lifestyles Limited
Fairgrove Homes Ltd
Girling Retirement Rentals Limited
Conroy Brook (Developments) Ltd
CALA Group Ltd
Davidsons Developments Limited
Rectory Homes Ltd
Crest Nicholson PLC
Blue Cedar Homes Limited
Places for People (York)

APPENDIX G: HOUSE OF COMMONS COMMUNITIES AND LOCAL GOVERNMENT COMMITTEE – HOUSING FOR OLDER PEOPLE

well-connected sites, close to local amenities. They should identify a range of different types of housing, including accessible homes, extra care housing and smaller mainstream homes to be built. The number of homes developed against this target should be published each year.

- ***There should be greater collaboration within local authorities between planning, social care, health and housing teams, particularly on the production of Local Plans. Local authority planning, health and social care teams should work together to assess the savings to health and social care budgets which may arise from additional specialist housing in their area and consider this in the context of negotiations over planning charges.***

- ***Local authorities should be more receptive to private developers who wish to build housing for older people in their area, and appreciate the potential health and wellbeing benefits leading to reduced need to health and social care services to be gained.***

Viability

123. Developers of specialist housing providing evidence strongly emphasised the different development economics they faced in comparison to developers of general needs housing.[310] The Home Builders Federation said developers "struggle to compete" because their overall "gross development value" is higher. They identified the following characteristics of specialist housing as significant in this:

- Less saleable space as a result of communal areas;
- Larger gross internal area, as a result of communal areas, attracting higher Community Infrastructure Levy (CIL) and section 106 charges;
- Higher density, which attracts higher CIL and section 106 charges;
- Lack of pre-sales (the communal areas must be complete and operating before anyone moves in);
- Little or no phasing;
- A cost to the developer when units remain unsold as they must maintain all services; and
- Higher build costs.[311]

124. We also heard that the price of brownfield land, which developers prefer for the reasons considered above, can be driven up through competition with commercial developers.[312] We received most evidence about the impact of CIL, payable on development which create net additional floor space, where the gross internal area of new build exceeds 100 square

310 Audley Retirement [HOP 018], Churchill Retirement Living [HOP 025], Anchor [HOP 042], McCarthy and Stone [HOP 059], Home Builders Federation [HOP 058]

311 Home Builders Federation [HOP 058]

312 Q103. See also Churchill Retirement Living [HOP 025]

metres. Although developers may also pay contributions under section 106 agreements towards infrastructure and affordable housing. Paul Teverson of McCarthy and Stone explained that CIL was particularly onerous for developers of specialist housing:

> CIL is a flat-rate square metre tax, which means that we would pay that tax on all of our shared areas where we provide restaurants, homeowners' lounges and our slightly larger corridors to meet wheelchair accessibility standards.[313]

He went on to say that the current system of planning charges were "purely designed around working with mainstream housing".[314] Claudia Wood of Demos said that economic modelling that she had undertaken for a forthcoming piece of research had shown that the planning charges on specialist housing "make a lot of developments completely unviable".[315] She continued: "the developers we spoke to all said that, of 30 or 40 sites they looked at, they could maybe find one that they could build on to make the numbers work". While we heard it was possible for developers to negotiate, this added costs and led to delays.[316] Recognising that they "absolutely save money in the longer term",[317] Graham King of Sunderland City Council said that his council had taken a different approach to developer contributions on extra care schemes built on their land. He said:

> We do take 106, but we have also had some models for our care schemes where we have looked at a best value principle. We have actually put in the value of the land on some schemes, because we have been able to prove longitudinally over 10 to 15 years that the savings on the adult social care and health budget have been much grander than the potential value of the land.[318]

McCarthy and Stone called for a "social care credit" to be applied on planning charges accruing to specialist housing developments.[319]

125. We also heard that the "inconsistent and cumbersome" application of the C2 and C3 planning classifications to extra care housing was problematic for developers.[320] Some local authorities apply the C2 classification, applied to residential care homes and nursing homes, to extra care housing which reduces planning charges. Others classify this type of housing as C3, along with mainstream housing, which means full charges apply. Audley Retirement argued that extra care housing should fall within the C2 class:

> Extra care is set up to fulfil many of the functions that care homes can provide in terms of care delivery as and when the resident requires it, monitored by an onsite care team and there is access to communal facilities. There are controls over who can occupy them by age and a need for care that do not exist on C3 standard dwellings.[321]

313 Q97
314 Q97
315 Q25
316 Home Builders Federation [HOP 058], McCarthy and Stone [HOP 059]
317 Q112
318 Q109
319 McCarthy and Stone [HOP 059]
320 ARCO [HOP 060]. See also Anchor [HOP 018]
321 Audley Retirement [HOP 018]

Extra care housing developers had a range of suggestions for countering this issue: an "extension and additional clarity" on C2 so that it captures extra care housing;[322] the creation of a sub-section of C2 which attracts lower planning charges;[323] and the creation of a "dedicated use class" for extra care housing which would enable planning contributions to be streamlined.[324]

126. When we asked about this, the then Housing Minister, Alok Sharma, told us that the guidance will look at the "precise terminology that is used to describe the different types of older people's housing".[325] **We believe that the level of planning contributions on specialist housing, which are increased as a result of the non-saleable communal areas which are a feature of this type of housing, is impeding the delivery of homes.** ***We recommend either the creation of a sub-category of the C2 planning classification (which currently applies to residential care and nursing homes) for specialist housing, which would reduce the contributions required from developers, or the creation of a new use class for specialist housing which would have the same effect.***

322 Anchor [HOP 018]

323 Home Builders Federation [HOP 058]

324 ARCO [HOP 060]

325 Q272