

Tamworth Borough Council

**Whole Plan Viability, Affordable
Housing and Community Infrastructure
Levy Study**

Further Advice
Addendum Report

On behalf of **Tamworth Borough Council**

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1 Introduction

- 1.1.1 In line with new planning guidance regarding affordable housing and section 106 thresholds, consultation responses and further assessments requested by Tamworth Borough Council to include older person housing into the viability analysis, Peter Brett Associates (PBA) have been asked to undertake further testing to account for these changes and to clarify policy position and recommendations.
- 1.1.2 It is intended that this addendum is read in conjunction with the PBA report which was issued with the Draft Charging Schedule and is titled 'Whole Plan Viability, Affordable Housing and CIL study 2014'. The same approach to testing has been undertaken and many of the assumptions used in testing are also the same, and where different, this will be highlighted.
- 1.1.3 The remainder of the document is separated into three sections:
- Implication of the new affordable housing and s106 threshold guidance
 - Further analysis of extra care and retirement dwellings' viability.
 - The potential for acquiring s106 with a CIL charge on retail
- 1.1.4 This section gives a brief outline of a number of changes to our approach since the previous report was issued. As will be discussed, some changes have been made due to a change in legislation and some are based on further information provided during the Draft Charging Schedule consultation.

2 New S106 and affordable housing threshold guidance

2.1 Context

- 2.1.1 In December 2014, the government changed their approach on affordable housing and s106 thresholds. Where originally local authorities were able to seek affordable housing and s106 contributions on all schemes, the government has published revision to planning guidance requiring a threshold of more than 10 homes, or 5 homes in designated rural areas. Effectively this means that schemes of 10 units and less (or which have a maximum combined floorspace of 1,000 square metres) or of 5 or less in designated rural areas, are now exempt from contributing to affordable housing or tariff based s106 infrastructure requirements.
- 2.1.2 The Government has issued this amended guidance in response to a perceived concern with the delivery of smaller sites and the potential burden that development contributions can have on these types of developments. The Government's stated aim is to remove what it considers as barriers to development to achieving one of its main objectives, which is increasing the delivery of housing across the country.
- 2.1.3 For Tamworth Borough, this central government change has a number of implications, which affect the approach to affordable housing policy and also to CIL rates.

2.2 Impact on CIL

- 2.2.1 It will be for the Council to consider as to whether the CIL needs to be amended in line with the Government stated intention to reduce the burden of development contributions for smaller sites.
- 2.2.2 Prior to setting out any revised CIL rates, it is considered important to review the approach taken to identifying an appropriate CIL rate that addresses the balance between delivery of infrastructure and affordable housing, whilst not putting at risk the overall delivery of housing identified in the Core Strategy.

2.3 Tamworth Borough Council – Pre-Submission Local Plan 2006-2031

- 2.3.1 Tamworth Borough Council approach to affordable housing, as set out in the Pre-Submission Local Plan 2006-2031 (policy HG4) requires:
- *“new residential development involving 10 or more dwellings (gross) to provide a target of 20% affordable dwellings on site”*; and
 - *“new residential development involving 3 to 9 dwellings (gross) to provide a financial contribution through a Section 106 agreement, equivalent to a target of 20% on site affordable dwellings”*.
- 2.3.2 Additionally, the Preliminary Draft Charging Schedule (PDCS) outlines the following proposed CIL rates:

Table 2.1: Tamworth's Preliminary Draft Charging schedule

Land Use	Criteria	CIL Rate per sqm
Residential	One or two unit residential schemes of 210 sqm gross floor space exempt from CIL charge	£35
Out of Centre retail	Out of centre is defined as comparison and convenience retail development located outside of Tamworth Town Centre, local centres and neighbourhood centres as defined in the policies map and town centre inset map of the Tamworth Local Plan 2006- 2031	£200
All other development	None	£0

2.3.3 Both of these policies utilised the evidence submitted in PBA's original (April 2014) report which recommended the following two options for CIL based on two different affordable housing options. This recommendation below can also be viewed as Table 11.1 in the original (April 2014) report.

Table 2.2: Recommendations of PBA's original (April 2014) report

Charge variation option	Affordable housing	CIL Charge per sq.m
Option 1: Single charging zone for all residential development	Up to 25% (mix of tenures) Applicable to all developments apart from schemes of up to two houses and 210 sqm gross floor space threshold.	£15 to £25 Applies to all residential developments apart from schemes of up to two houses and 210 sqm gross floor space threshold. This is equal to an average CIL contribution of about £1,500 to £2,500
Option 1: The single charge zone option provides the simplest charging option, and retains the greatest flexibility for site specific negotiations based on the higher affordable housing contribution (for any specific sites with high site costs). There are no limitation on the pooling of S106 affordable housing contributions, and this options will enable the collection of a CIL charge from all residential developments coming forward in Tamworth (apart from one and two units up to a maximum gross floor space of 210 sqm).		
Option 2 Single charging zone for all residential development	Up to 20% (mix of tenures) Applicable to all developments apart from schemes of up to two houses and 210 sqm gross floor space threshold.	£20 to £35 Applies to all residential developments apart from schemes of up to two houses and 210 sqm gross floor space threshold. This is equal to an average CIL contribution of about £2,000 to £3,500 per unit
Option 2: The option two is weighted towards strategic infrastructure delivery but offers a reduced scope to secure greater site specific affordable housing contributions.		

- 2.3.4 The recommendations for an appropriate CIL rate in the above were based on average headroom from testing a range of typologies, 20 in total, comprising a variety of site sizes, different existing land uses and across different value areas within the Borough. Appendix F of the original report calculated the headroom of each of the 20 typologies and nine different scenarios regarding the proportions and tenures of affordable housing.
- 2.3.5 However, in light of the Government's recently amended guidance relating to s106 and smaller site delivery, it was considered appropriate to review the affordable housing approach within each of the typologies. Therefore we have separated the typologies into schemes falling below the government threshold of 10 or fewer units and those above, i.e. 11 or more. As previously the strategic sites have been excluded from these weightings.

Sites under the threshold

- 2.3.6 The original (April 2014) report tested seven typologies under 11 dwellings as set out in the table below. As per the new guidance, these types of schemes may no longer be required to contribute towards affordable housing. Therefore, the below reflects the potential headroom for CIL with no affordable housing contribution.

Table 2.3: Analysis of headroom of smaller sites

Worksheet	Site Address	Yield	CIL Liable per sqm	Viable / unviable
7	Derelict buildings south of B5404	6	£137	Yes
9	Norris Bros, Lichfield Street	7	£137	Yes
12	Hyundai Garage, Lichfield Street	8	£133	Yes
13	Land/building off Wardle Street	4	£137	Yes
14	Very small Brownfield (2 or less units)	1	-£41	Marginal
15	Very small Brownfield (2 or less units)	2	-£37	Marginal
16	Small Brownfield (less than 7 units)	6	£137	Yes

- 2.3.7 In our original (April 2014) report two typologies titled 'Very small Brownfield' (2 or less units), namely typologies 14 and 15 in the above table, were recommended to be zero rated for the purposes of CIL because they were found to be unviable. Therefore in this addendum we test the viability on typologies 7, 9, 12, 13 and 16 to identify an average chargeable CIL rate.
- 2.3.8 The findings shown in Table 2.3 above are that schemes which are more than 2 units but less than 11 units achieve an average CIL headroom of £136 with no affordable housing. Since this identifies the maximum CIL available, we adopt a similar approach to setting a buffer as set out in the original (April 2014) report. Taking an average of the above typologies, and applying a buffer of 40%, 50% and 60%, it can therefore be found that an appropriate CIL for dwellings beneath the threshold should be in the range of £54 to £82 per sqm.

Table 2.4: Recommended CIL rates at a range of buffers

Headroom + Buffer	Recommended CIL rate (£/sqm)
At 60% of average headroom	£82
At 50% of average headroom	£68
At 40% of average headroom	£54

Recommendations

- 2.3.9 Under the new guidance relating to s106 and affordable housing thresholds, the findings from our testing suggest that developments of 10 units and under are now increasingly viable. Therefore, the CIL rate for these units could be increased from the currently proposed £35 sqm up to a maximum of £82 per sqm. The recommended rate of £35 sqm for the other residential (i.e. those with more than 10 units) remains the same because there is sufficient headroom for unexpected S106 or S278 highways off-site contributions.

3 Housing for older people

- 3.1.1 This section of the report considers and tests a number of assumptions regarding the impact of CIL on specialist housing, namely **Care Homes**, **Retirement dwellings** and **Extra care** schemes.
- 3.1.2 Representations have been made that there are some differences in the business model for Retirement and Extra care homes compared with the standard developments tested through the typologies outlined in the previous section. Given the aging population growth and therefore an assumption that there may be a stronger future market for housing for older people, additional testing of housing for older people has been undertaken.
- 3.1.3 Prior to testing these developments it is worth firstly outlining how these uses are defined, given the various names and brands used in this industry.

3.2 Defining housing for older people

- 3.2.1 In terms of viability testing, we consider three types of retirement schemes as defined below:
- 3.2.2 **Retirement dwellings** – also known as sheltered housing, these are defined as groups of dwellings, often flats and bungalows, that provide independent, self-contained homes. We consider that in addition to this, there will likely be some element of communal facilities, such as a lounge or warden. A service charge will be in place to cover the normal ongoing costs but also incur additional costs to upkeep communal facilities as described.
- 3.2.3 **Extra care** – also known as assisted living by the private sector, these dwelling are provided across a range of tenures (owner occupied, rented, shared ownership/equity). This is housing with care whereby people live independently in their own flats but have access to 24 hour care and support. These are defined as schemes designed for an elderly population that may require further assistance with certain aspects of their day to day life. Arrangements for care provision vary between care provided according to eligible assessed need by the local authority and people purchasing privately who may not have such a high level of need which is on site and is purchased according to need. For private sector developments the care facilities are normally part of a care package with additional fees to pay for the service and facilities, which are on top of normal service charges and the cost of purchasing the property. The schemes will often have their own staff and may provide one or more meals per day. We consider these as schemes that will likely have a greater proportion of communal space than Retirement dwellings and a likely to be built to standards likely to suit an older population, i.e. wheelchair access, better designed bathroom facilities etc.
- 3.2.4 **Care homes** are defined as residential or nursing homes where 24 hour personal care and/or nursing care are provided together with all meals, where people occupy under a licence arrangement.

3.3 Assumptions for further testing

- 3.3.1 Many of the assumptions regarding older people are identical as for regular developments, and therefore these remain the same as those listed in the original (April 2014) PBA report. Specifically, these include our approach to professional fees, plot externals, site abnormal, and site opening up costs, finance, sales costs and treatment of profit.
- 3.3.2 The assumptions used for older persons housing that differ from the more regular typologies are summarised in the following section. To derive many of the assumptions for the following, PBA has used empirical examples of developments arising in locations within or close to

Tamworth Borough and guidance prepared for the Retirement Housing Group¹ by Three Dragons (henceforth referred to as RHG Guidance).

- 3.3.3 **Scheme sizes** – Based on the evidence from local planning applications for Retirement homes and Extra care homes, shown in Table 3.1 below, we have tested a Retirement home scheme and an Extra care scheme based on a net area of 0.3 hectares. We have tested Care homes using a slightly larger net area of 0.37 hectares.
- 3.3.4 Based on the suggested densities in the RHG guidance, we have tested Retirement scheme with 36 dwellings and the Extra care scheme at 30 dwellings. This provides a figure of approximately 120 dwellings per hectare for Retirement dwellings and just under 100 dwellings per hectare for extra care homes. However, the RHG densities may be slightly less dense (therefore achieving less value) than those identified in local planning applications for Retirement homes and Extra care homes in Table 3.1 below. We have tested Care homes using an assumption of 50 units which equates to a density of 137 dwellings per hectare.

Table 3.1: Retirement and Extra care units developed in the local area

Location	Net area (hectares)	Number of dwellings	Density per net area
Land off Rosy Cross, Albert Road	0.33	29	87
Land to rear of 13-18 Albert Road	0.35	41	117
Standon House Care Home & 10 Ashby Road	0.50	31	63
Lane House Rest Home, Lichfield Road	0.27	31	116
Former Car Park, Sandy Way	0.44	101	230
Spring Tree Rest Home, 433 Watling Street	0.23	40	171
Land Rear of 188-196 Hockley Road	0.22	19	85
Former Gardeners Arms PH, Kerria Road	0.11	30	267

- 3.3.5 **Size of units** – For the net internal area of the units, we have used sizes of 63 sqm for Retirement dwellings and 71 sqm for Extra care schemes. This is informed by RHG's guidance regarding appropriate sizes for 1 and 2 bed properties.
- 3.3.6 We have assumed that Retirement dwellings and Extra care schemes have an allocation of floorspace considered as non-chargeable functions and communal space which also achieve no value and add a cost to the development. Again, we have followed the RHG guidance of 20% for Retirement properties and 35% for Extra care schemes. We have therefore assumed that the gross floor space per unit for Retirement properties is 75 sqm and 96 sqm for Extra care units.² For Care homes we have assumed a 38 sqm per bedroom and a similar assumption to Extra care in regards to accounting for 35% non-saleable space, giving a gross floor space of 51 sqm per unit.
- 3.3.7 **Build Costs** - In terms of build costs we have used figures supplied by BCIS as per the original report. We have used a figure of £925 per sqm for retirement properties and £959 for Extra care. These figures reflect the 9% and 13% uplift on costs on 1-2 storey flats as set out in RHG guidance. For care homes, BCIS data suggests a figure of £1,019 per sqm.

¹ A briefing note on viability prepared for Retirement Housing Group by Three Dragons", *Three Dragons*, May 2013.

² Whilst we have followed the RHG guidance, we are not convinced that this space is non chargeable since these developments often have high service charges which are in effect paying for this space and its use.

- 3.3.8 **Sales value per square metre** – To test the viability of Retirement dwellings and Extra care homes we have analysed schemes from various developments within similar markets to Tamworth which are summarised in Table 3.2. The table lists only the developments in the immediate location, however using this data, and data from areas, within similar nearby locations, it is seen that the average for a one bedroom dwellings varies between £130,000 and £155,000 with 2 bedroom properties a little higher, between £160,000 and £190,000.

Table 3.2: Retirement housing and Extra care units in the local area sale prices

Type	Location	No. of Beds	Sales value	Size per sqm (approx)	Sales value per sqm (approx)
Retirement homes	St Clements Court, Atherstone,	1 bed	£156,450	46	£3,401
Retirement homes	St Clements Court, Atherstone,	2 bed	£191,950	65	£2,953
Retirement homes	Rosy Cross, Tamworth,	2 bed	£175,000	63	£2,778
Retirement homes	Rosy Cross, Tamworth,	1 bed	£159,950	60	£2,666
Retirement homes	8 Braddan House, Lichfield Road,	2 bed	£159,950	55	£2,908
Retirement homes	Cygnets Drive, Tamworth	1 bed	£135,000	50	£2,700
Extra Care	Standon Gardens, Ashby Road,	2 bed	£189,950	N.A.	N.A.
Extra Care	Standon Gardens, Ashby Road,	2 bed	£184,950	N.A.	N.A.
Extra Care	Standon Gardens, Ashby Road,	1 bed	£170,000	N.A.	N.A.
Extra Care	Standon Gardens, Ashby Road,	1 bed	£145,000	N.A.	N.A.
Extra Care	Standon Gardens, Ashby Road,	1 bed	£139,950	N.A.	N.A.
Extra Care	Standon Gardens, Ashby Road,	1 bed	£137,950	N.A.	N.A.

Source: Various websites such as RightMove, Zoopla amongst others.

- 3.3.9 Additionally, we have consulted RHG's guidance as a 'sense check' for setting an appropriate value. As a guide, the guidance suggests that sales prices for 1 bed Retirement dwellings should be in the region of 75% of the price of existing three bed semi-detached properties in that location, with 2 bed retirement properties equal to the full value of a three bed semi-detached house. Land registry data reveals that the average value of semi-detached housing in Tamworth is approximately £145,000. Applying the same 50:50 weighting between 1 bed and 2 bed dwellings suggests that retirement housing should be considered in the region of 87.5% of the total value, which in this case is approximately £127,000.
- 3.3.10 Taking all of this into account we have based our analysis on a sales value of £2,230 for retirement properties, which equates to a per property value of £139,000. From the market evidence, we feel this value is at the lower end of what could be considered for Retirement properties in this area.
- 3.3.11 For Extra care, there is one development of this type within Tamworth that has recently been developed, named Standon Gardens. Table 3.2 also shows the sales values for these units, of approximately £140,000 for one bed properties and just under £190,000 for 2 bed properties. Importantly, it is considered that as many of the units listed refer to second hand transactions it is expected that new developments would attract a premium above these figures.
- 3.3.12 Similar to our analysis of retirement dwellings we have also consulted RHG guidance, given that the relative absence of local evidence, which suggests as a benchmark the sales values for Extra care developments are expected to be approximately 25% higher than retirement

homes. Again, taking all of this into account we have adopted a figure of £2,590 has been adopted, which equates to approximately £184,000 per dwelling.

- 3.3.13 For Care homes we have adopted a figure of £2,550, which with no affordable housing provides an overall GDV of just under £5,000,000. For schemes of this size, we consider this figure as representative of developments in this area.
- 3.3.14 **Land Values** – PBA’s original report identified that an appropriate land value for 50 dwellings and under was in the region of £1,000,000. We have tested all older people dwelling schemes using this figure.
- 3.3.15 **Site abnormalities** – These developments have been tested using the assumption that these would be on brownfield land and would therefore have the extra cost of £200,000 per net hectare for brownfield development as suggested in the original (April 2014) study. This includes payments for remediation and demolition.

3.4 Testing results

- 3.4.1 We have tested the retirement and extra care schemes at a range of affordable housing contributions. The assumptions used for affordable housing are based on 75% Affordable rent and 25% social rent. The results of the are summarised in the below tables:

Table 3.3: Specialist housing maximum headroom at various affordable housing provisions

Specialist housing	0% AH	10% AH	20% AH	25% AH	30% AH	35% AH	40% AH
Retirement dwellings	£99	£66	£23	-£2	-£32	-£65	-£104
Extra Care	£108	£73	£30	£4	-£25	-£59	-£99
Care Homes	-£47	-£98	-£162	-£201	-£244	-£295	-£354

- 3.4.2 It is clear from Table 3.3 that Care homes are unviable at any level of affordable housing. It is also considered that Retirement dwellings and Extra care units are viable at rates of affordable housing of approximately 20%. At 25% or lower affordable housing, Extra care units are only marginally viable whereas retirement housing is only broadly viable at 20% or lower.
- 3.4.3 On this basis, and for simplicity, it would be recommended that these types of developments could accommodate a similar level of 20% affordable housing but at a lower rate of CIL. With an adequate buffer, it is recommended that a contribution of £15 per square metre for Retirement dwellings and for Extra care dwellings could be accommodated. It is also recommended that Care homes are excluded from both CIL payments and affordable housing contributions.

4 Out of Centre Retail

- 4.1.1 This section of the report considers representation regarding the original (April 2014) report viability work on retail stores. It was commented that the out of centre retail viability testing made no allowance for a s106 contribution that would normally form part of any planning permission condition when delivering large schemes.
- 4.1.2 The approach we took with s106 related to there being no recent information and a likelihood that this will vary by scheme impact and location, so it would be safer to leave a significant buffer within the viability headroom before setting the recommended CIL rate.
- 4.1.3 However, to improve the accuracy/validity of the retail assessment in response to the consultation feedback, we refer to the results in the original (April 2014) report, which shows Out of centre retail to achieve headroom of between £415 and £454 per sqm. The recommended CIL rate was £200 to £225 per sqm, which if discounted from the viability headroom, would leave a buffer of between £190 and £254. Therefore, even with a 20% buffer on the total headroom, the residual potential would deliver some £160k in s106 contributions for a typical 1,500 retail warehouse and £355k for a typical supermarket.
- 4.1.4 Hence the CIL has been set at about 50% because this then allows for a reasonable buffer plus an allowance for any unknown s106 and s278 off site highways.

5 Recommendations

- 5.1.1 To bring the work set out in the addendum together, in Tables 5.1 below we set out our recommendations for revising the proposed CIL rates published in the Preliminary Draft Charging Schedule for Public Consultation October 2014.

Table 5.1 Recommended Changes to the Tamworth CIL PDCS October 2014

Land use Category	Criteria	Previous CIL rate per square metre	Recommended CIL rate per square metre
Residential	Applicable to one or two unit residential schemes.	£0	£0
Residential	Applicable to all schemes with between 3 and 10 units except those which are exempt from CIL charge in the PDCS (Oct 2014)	£35	£54 to £82
Residential	Applicable to all schemes with 11+ unit except those which are exempt from CIL charge in the PDCS (Oct 2014)	£35	£35
Specialist residential (Retirement dwellings and Extra care)		£35	£15
Care homes		£0	£0
Out of Centre retail	Out of centre is defined as comparison and convenience retail development located outside of Tamworth Town Centre, local centres and neighbourhood centres as defined in the policies map and town centre inset map of the Tamworth Local Plan 2006- 2031	£200	£200
All other development	None	£0	£0

- 5.1.2 The Council have a duty to be informed by the evidence and not necessarily follow it and whilst PBA are confident that its assumptions and approach are robust, the Council need to consider as to whether they need to this approach in setting the levy for the first time in this area.

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