



## Affordable Housing Feasibility Study for Braemar Community Limited

SITE BEHIND KINDROCHIT COURT



**RURAL  
HOUSING  
SCOTLAND**

**SAM FOSTER  
ARCHITECTS**

## 1.0 Introduction

Rural Housing Scotland and Sam Foster Architects were commissioned by Braemar Community Limited to undertake a feasibility study to ascertain the viability of a community led housing project at a site at Kindrochit Court, Braemar.

Braemar Community Limited (BCL), have the opportunity to take possession of and develop the site for affordable housing for the benefit of the community. The site has been allocated as suitable for housing in the Cairngorms National Park Local Development Plan 2015 and currently has planning permission for 11 residential units.

Braemar Community Ltd is a community owned company, with charitable status (SC276254, SCO38573), that was established in 2004 to undertake the development and operation of major projects on behalf of the Braemar Community either independently or in association with local authorities.

The main aims of the feasibility study are to:

- update the Housing Needs Assessment for the village.
- ascertain whether the existing planning permission could lead to a viable and sustainable community led housing project and if not identify an alternative scheme that would be.
- establish whether the project is financially viable both for development and longer term management.
- recommend longer term site management options.
- develop associated project documentation.

The study outputs will enable BCL to progress a main application the Rural Housing Fund to develop the site.

## 2.0 Housing Needs Assessment Update

### 2.1 Braemar Housing Market

Just over half of permanent households in Braemar own their own homes - 53.5%. This is a low proportion of owner occupiers when compared with an Aberdeenshire average of 72.6%, and reflects the pressures on local housing from tourism in the form of holiday homes and holiday lets and the importance of the local landowners in the provision of housing as either tied or private rent - almost a third of housing is private rent or tied (30.2%).

"Braemar has for most years had a median house price in excess of ... the CNP median in 21 out of the last 25 years. Furthermore, in 14 of those years, median house prices in Braemar were ranked within the top 5 data zones in the National Park. Since 2011 it has also experienced the highest median house price 3 times, which is more than any other single data zone within the National Park."<sup>1</sup>

The pressure on house prices in Braemar is demonstrated by house prices in the village being amongst the highest in the National Park. The average house price in Braemar for the year to March 2019 was £232,475. The median house price in the village was £170,261. The lower quartile price was £143,750, higher than both the Aberdeenshire and Scotland figures.

"In Braemar the lower quartile price has also been consistently higher than the National Park's, with prices in excess in 17 of the last 25. Furthermore, in 12 of those years, median house prices in Braemar were ranked within the top 5 data zones in the National Park."<sup>2</sup>

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<sup>1</sup> Cairngorms National Park, Local Development Plan 2020 Proposed Plan - Evidence Paper: Rural Development – Part 1 Housing

<sup>2</sup> Cairngorms National Park, Local Development Plan 2020 Proposed Plan - Evidence Paper: Rural Development – Part 1 Housing

### 2.1.1 Pressures on local house market

The multi million pound renovation of the Fife Arms Hotel and the hotel's requirement to find staff accommodation for some 90 staff has had an influence in the local housing market in recent years with the hotel purchasing houses, guest houses and B&Bs to provide accommodation for staff.

The demand for housing for second homes, holiday and retirement homes is a further pressure on the local housing market - helping maintain a buoyant housing market with relatively quick turnover of housing.

Second homes comprise 22% of all dwellings in the village - some 88 houses. A further 22 houses are registered as empty homes. In total 110 houses or 28% of all dwellings are not permanently occupied.

### 2.1.2 Private Rental Sector

Private lets comprise 17.1% of all permanently occupied homes in Braemar. These are predominately let from local estates such as the Invercauld Estate and Mar Estate. Rents for estate cottages are considerably lower than the Aberdeenshire local housing allowance but can also be in remote locations.

Private tenants comprised 20% of respondents to the Braemar Housing Needs Survey with a third looking for alternative accommodation.

## 2.2 Social Housing

Social housing in Braemar is provided by Aberdeenshire Council and Castlehill Housing Association. There is a total of 44 homes available for social rent - 16.3% of all households have a social tenancy.

The social housing stock is predominately 1 and 2 bedroom - 75% of general needs housing is of this size. There are just 8 three bedroom homes in the social housing stock and most (6) of these were built by Castlehill HA recently.

Most demand expressed through the waiting list is for smaller properties but this perhaps reflects the predominance of this house size in the housing stock. The recent development of 6 x 3 bedroom homes resulted in significant number of applications - with an average of over 60 bids for each property on first letting and 38 bids for the one property which has been relet.

There are very few vacancies in the social housing stock with an average of just one let per year and no turnover of stock in the last two years. The waiting list may therefore underestimate housing demand as people don't register as they don't think this is a realistic route to securing housing. This is confirmed by responses to the housing needs survey where 18 of the 20 households in housing need indicated that they were not registered with the council or housing association.

### 2.2.1 Current Social Housing Stock

General Needs	1 bed	2 bed	3 bed	4 bed	5 bed	Total
Aberdeenshire Council	13	12	2	0	0	27
Castlehill HA			6			6
Total	13	12	8	0	0	33
Special Needs (Sheltered)						
Castlehill HA	11					11
Total	24	12	8	0	0	44

### 2.2.2 Waiting List

- Aberdeenshire Council

#### Braemar - All choices

All choices	1 bed	2 bed	3 bed	4 bed	5 bed	unknown	Total
Braemar	63	22	20	10	8	8	131

#### Braemar - 1st area of choice

1 <sup>st</sup> choice	1 bed	2 bed	3 bed	4 bed	5+ bed	unknown	Total
Braemar	9	2	6	-	-	4	20

- Relets – Aberdeenshire Council

Year	No of Relets
2013/14	1
2014/15	3
2015/16	0
2016/17	2
2017/18	0
2018/19	0

- Castlehill HA

#### Figures from Homehunt:

- 6 Invercauld Gardens advertised June 2014 had 58 bids
- 5 Invercauld Gardens advertised November 2015 had 65 bids
- 5 Invercauld Gardens advertised July 2018 had 38 bids

## 2.3 Literature Review

### 2.3.1 Aberdeenshire Council Housing Need & Demand Assessment

The 2017 Aberdeen City and Shire Housing Need and Demand Assessment quotes housing need figures from the 2014 housing needs assessment undertaken by HSCHT. This study found an immediate demand for 6 social rented properties with a future demand for 9 more within 5 years. There was also some demand for low cost home ownership options including the provision of affordable house plots

### 2.3.2 *Aberdeenshire Housing Strategy*

The Aberdeenshire Local Housing Strategy 2018-2023 makes no specific mention of Braemar but sets a medium priority for “the provision of affordable housing in our rural communities”. The strategy also highlights the extent of fuel poverty, empty homes and concealed households - particularly amongst the young.

### 2.3.3 *Aberdeenshire Strategic Housing Investment Plan*

Despite being identified as a medium priority in the local housing strategy the Strategic Housing Investment Plan (SHIP) 2019/20- 2023/24 sets no target for the delivery of affordable housing in Braemar through the Affordable Housing Supply Programme - the main Scottish Government funding programme. Kindrochit Court in Braemar is identified in the SHIP and proposed for the possible development of 11 homes through the Rural Housing Fund.

### 2.3.4 *Cairngorms National Park Development Plan*

- Local Development Plan 2015

The Local Development Plan has as an objective for Braemar “to ensure new housing can progress in a way that helps the community remain sustainable”. To facilitate this the Plan identifies 4 sites with capacity for the development of 84 houses - including the development of 11 homes at Kindrochit Court.

- Local Development Plan 2020 Proposed Plan Evidence Paper Rural Development – Housing

In preparation of the proposed Local Development Plan 2020, the CNPA produced a housing evidence paper to support their proposals. This highlights several pressures on the local housing market and significant housing need for the limited social housing available:

“Data on council housing applications within the HMA suggest that there is in fact significant demand for accommodation within both settlements” (Braemar and Ballater)

The paper expresses concern that sites allocated for the development of housing have not been built out despite “the economic investment that has been made in Braemar’s infrastructure in recent years (e.g. in the Fife Arms Hotel)” and the “clear need for accommodation for workers “

The paper identifies two further sites for development and proposes an affordable housing requirement at 45%.

## **2.4     *Housing Needs Survey***

### *2.4.1     Background*

- HSCHT Housing Needs Survey 2014

The last local housing needs assessment in Braemar was undertaken by HSCHT in 2014. This identified need for housing for social rent and low cost home ownership in the village and this need was included within the Aberdeen City and Shire Housing Need and Demand Assessment 2017. Given this relatively recent research the tender for the Feasibility Study sought to secure an update on this data rather than repeat the research.

### *2.4.2     Housing Needs Analysis 2019 - Methodology*

To update knowledge on housing needs in Braemar two qualitative housing needs surveys were undertaken.

The first targeted people living locally with housing needs, who need alternative housing or who wish to move to work in the area but lack of affordable housing restricts their ability to do so. The survey was available online through Survey Monkey and promoted through social media by Braemar Community Limited, local newspapers, and in print such as flyers on noticeboards.

A second survey of local employers was also undertaken to gather evidence of the impact the local housing market has had on their ability to recruit and retain staff and potential benefit to their development plans of more affordable housing.

### *2.4.3     Drop-in Community Consultation Event*

A drop in consultation exercise was also undertaken to advertise the housing survey and to gather views on housing in Braemar. This took place in Braemar Village Hall on the 13th March 2019. The event lasted from 3pm - 7pm and attracted approximately 90 people in total.

The event was split between consultation on the type of housing required and consultation on the layout and design of possible housing.

Most respondents thought that young people and families were in most need of housing in the village - both received 25 dots; the needs of older people were highlighted by 13 respondents and some thought older couples were most in need. Most respondents (25) thought that Braemar needed affordable housing to rent. Just under half this number, 11, thought that more homes for low cost sale were required. Some would like to see a mix of tenures. Community members who expressed a preference through placing a dot against either Aberdeenshire Council or Castlehill HA rents thought Aberdeenshire rents could be defined as “affordable”. Most community members thought that the following prices for homes could be called “low cost”: 1 bedroom - £92,000; 2 bedroom - £120,000; 3 bedroom - £140,000; 4 bedroom - £172,000.

### *2.4.4     Housing Needs Survey - Results*

A total of 95 households responded to the housing needs survey; this represents a third of all permanent households in the Braemar area. Most of the respondents live in Braemar village (78) with the remainder from small communities close to the village.

Most respondents comprised smaller households - couples and single people accounted for 73 of the 95 households with 22 responses from families.

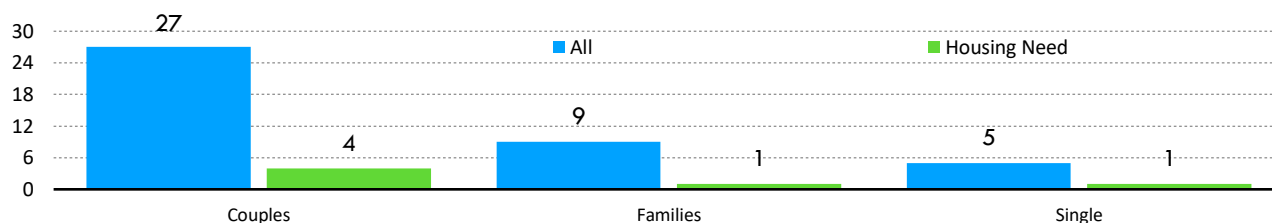
43% of respondents were owner occupiers; 24% live in tied/staff housing; 21% responses came from private tenants; 6% of respondents live c/o and 5% are social tenants.

- Housing Need

Twenty households highlighted that they or someone in their household required alternative housing. These households comprised 10 couples, 7 single people and 3 families. Six households with housing needs own their own homes; six rent privately; six live in tied or staff housing and two live c/o.

- Housing Need - Home Owners

Most homeowners responding to the survey had no housing need but 6 of the 41 respondents highlighted a need for alternative housing.

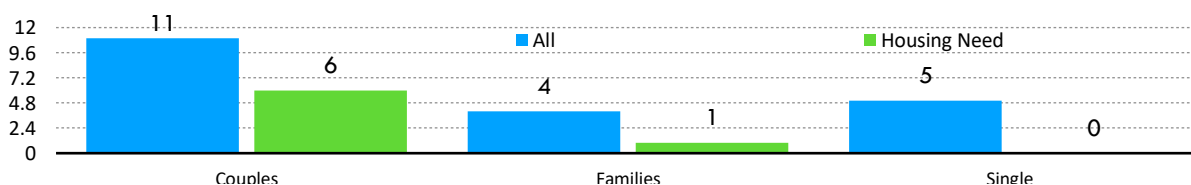


Type	Registered	Need	Tenure	Size	Location
Single (45-59)	No	Staff housing	Social Rent~	1 bed	Braemar
Couple (60+)	No	Mobility	Buy	2 bed	Braemar
Couple (60+)	No	Downsizing	Buy (£160K+)*	2 bed	Braemar
Couple (60+)	No	Downsizing	Buy (£150K+)*	2 bed	Braemar
Couple (25-44)	No	Returning	Buy (£170K+)	3 bed	Braemar
Family (3 children)	No	Overcrowded	Buy (£170K+)	3/4 bed	Aboyne

Most homeowners (5/6) would like alternative housing which they can buy - although two older couples who wish to downsize from larger properties would also consider renting. Households suggested that they could afford house prices towards the median price for house sales in the village in 2018/19 (£170,000).

- Private Tenants - Housing Need

Six out of 20 respondents currently renting privately stated that they required alternative housing:

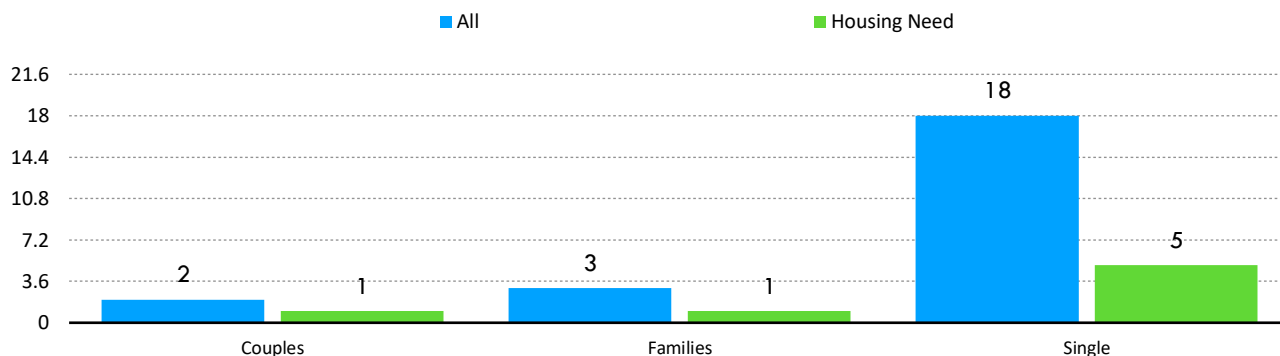


Type	Registered	Need	Tenure	Size	Location
Couple (60+)	No	Insecure	Social Rent	2/3 bed	Braemar
Couple (45-59)	No	Expensive/ Buy	Social Rent*	2 bed	Braemar
Couple (45-59)	No	Buy	Buy (£170K+)	3 bed	Braemar
Couple (45-59)	No	Buy	Buy (£170K+)	3 bed	Braemar
Couple (25-44)	No	Condition/Location	Social Rent*	3 bed	Braemar
Family (2 Child)	AC	Expense/Condition	Social Rent	3 bed	Braemar

Four of the households are interested in social rented housing - although two of these would like to buy if possible.

- Tied/ Staff Accommodation

Ten households from the 23 respondents living in staff or tied housing stated that they required alternative housing. However only 6 indicated what size or tenure of housing they required.



Type	Registered	Need	Tenure	Size	Location
Single (25-44) Staff	AC	Insecure/overcrowded/threatened with homelessness/expensive	Social Rent Buy (£100K+)*	2 bed	Braemar
Single - Tied	AC	Expensive	Buy (-£90K) Social Rent	2 bed	Braemar
Single - Staff	No	Threatened with homelessness	Social Rent	2 bed	Braemar
Family (2 children) Tied	No	Insecure/ Buy/ closer to employment/ threatened with homelessness	Social Rent Buy (£100+)*	3/4 bed	Braemar
Couple (60+) Tied	AC	Health/ Insecure/Returning/ Threatened with homelessness	Social Rent	2 bed	Crathie
Single (25-44) Staff	No	No privacy	Social Rent	2 bed	Braemar

All six of the households would be interested in renting a home.

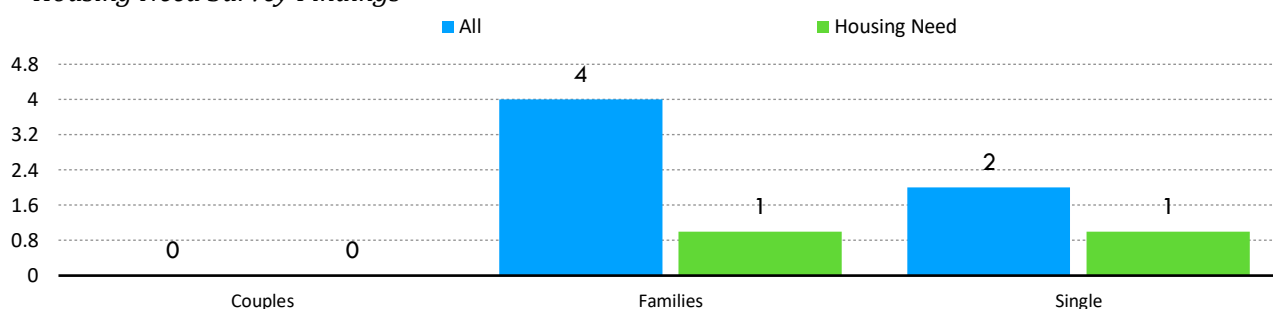


- Live with family/friends

Two households - both young adults- currently live c/o another household and need their own homes.

Type	Registered	Need	Tenure	Size	Location
Young Adult	No	Overcrowded/ independent/closer to work	Social Rent Buy (£110K+)*	2 bed	Ballater
Single (16-24)	No	Live in bothy/ no kitchen/bathroom	Social Rent	1 bed	Braemar

#### 2.4.5 Housing Need Survey Findings



- Social Housing Need

In total the housing needs survey suggested that there were fifteen households interested in affordable housing to rent. These households comprise seven single households looking for 2 x 1 bed and 5 x 2 bed homes to rent; six couples requiring 5 x 2 bed and 1 x 3 bed homes to rent and two families with two children requiring 2 x 3 bed homes to rent. An additional four households in staff housing stated that their current home was unsuitable but didn't define what kind of alternative housing they were looking for.

The level of demand for affordable housing to rent reflects that found by earlier studies.

- Low Cost Housing to Buy

Thirteen households expressed an interest in LCHO options such as shared equity. Eight of these households would also consider housing for rent including 5 who can afford to buy at less than £120,000.

#### 2.4.6 Employers - Housing

To complement the housing needs survey interviews were held with major employers in Braemar the Fife Arms, the Invercauld Arms, Braemar Mountain Sports and the Highland Games Pavilion.

All highlighted the difficulties they had to recruit and retain staff due to the lack of affordable housing and the steps they had taken to provide housing for staff. The Fife Arms with over 90 staff has bought former guest houses in the village and neighbouring Ballater to turn into HMO accommodation for staff and is in the process of building further accommodation. Employers stated that some staff travelled significant distances to work including from Aboyne and Banchory.

Employers suggested that further affordable housing was crucial to their business development and availability of affordable housing options would improve their ability to recruit and retain staff and attract a wider variety of applicants currently put off by communal staff accommodation.

## 2.4.7 Housing Need Conclusions

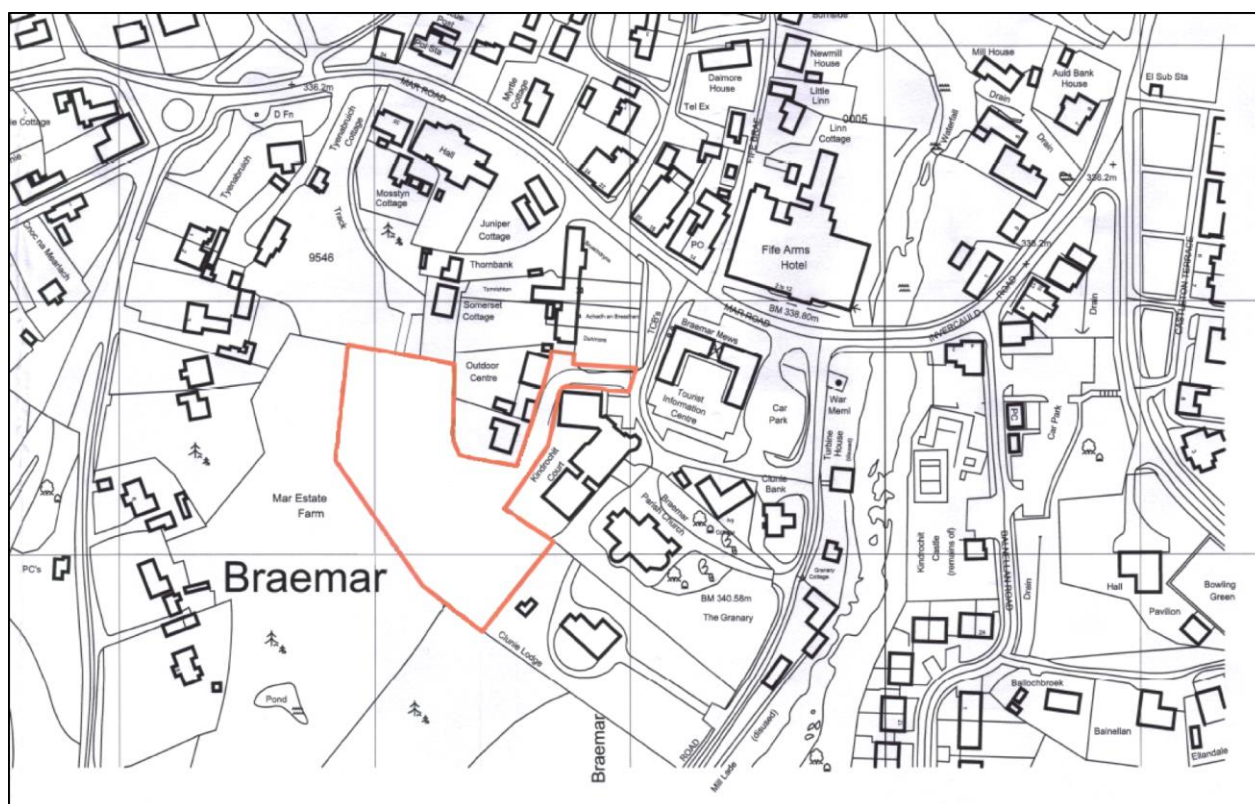
Responses to consultations with the community (at the drop in session), with people in housing need (through the housing needs survey) and with employers (through interviews) provide a consistent picture of a need for affordable housing in Braemar.

All three groups of consultees highlighted housing for rent as the predominate need in the village, although there was also support for low cost home ownership options where these could be prevented from becoming second homes or holiday lets.

## 3.0 Viability of Community Led Housing Development

### 3.1 Site behind Kindrochit Court

The Kindrochit Court site, outlined on the map below, is located on brownfield land at the heart of the settlement of Braemar village. The site is accessed by a currently unadopted road which runs between two properties and meets an adopted road which loops around the Braemar Mews. On the site are several former Mar Estate farm and storage buildings which are contained by mature trees to the south and west. The existing access extends through the site onto a track which then leads northwards and joins Mar Road. There are some footpaths which traverse the site and its immediate surroundings. The existing buildings are currently used for storage purposes for some local businesses.



The site has been allocated as suitable for housing in the Cairngorms National Park Local Development Plan 2015.

In 2014 the site received planning permission for 11 residential units in three 1.5 storey blocks and 19 car parking spaces. Drawing extract at Appendix refers. This development was to be the affordable element of a larger private housing development at the edge of the village. Planning Conditions attached to this Affordable site must be discharged before development can commence on the private housing site. Since planning permission was obtained in 2014, a social landlord has not been forthcoming to become a partner in that project and there is now an opportunity for the community, through BCL, to take on the site and develop affordable housing itself.

## 3.2 *Development Proposal*

A proposed layout for the development of housing at Kindrochit Court has been created by Sam Foster Architects. This is drawn from feedback through the drop in consultation with the wider community, discussions with BCL and CNPA and the results of the housing need survey.

Feedback from the community consultation identified three main factors influencing the layout of the site: 1) the site should be developed in a way that suits Braemar's character, rather than a 'standard' set of affordable housing designs being laid around the most convenient road layout; 2) any new housing should be sited to minimise the effects of overshadowing from the large banks of trees to the south-west and south-east; 3) retaining and upgrading the existing access track connection has a number of problematic implications – could a new access route from the Old Military Road be considered?

Using these factors a layout was developed that has the potential for 15 homes at Kindrochit Court. This includes 6 x 2 bed flats, 5 x 2 bed terraced cottages and 4 x 3 bed terraced houses, giving a total of 34 bedrooms. The proposed scheme also provides a plot for self-build. The size of properties proposed reflects the demand expressed through the housing needs survey as well as the demand expressed through the housing waiting list for social housing in Braemar.

The houses and flats are positioned on the site in areas that will receive the most sunlight. The scale, character, materials and informal relationship between the buildings better reflects the character of traditional housing development in Braemar than the current design for the site. Surrounding houses are typically single storey and one-and-a-half storeys high with rooms in the roofs and dormer windows, giving a ridge height between 6m and 8m. Clunie Lodge, to the south-east of the site, is two storeys high, with an approximate ridge height of 9m. The existing storage sheds on the site have an estimated ridge height of between 6m and 7m. The houses that currently have planning permission for the site are one-and-three-quarter storeys high and have a ridge height of between 7.9m and 8.375m. The houses proposed in this revised development would have a ridge height no greater than 8m.

All houses should have dark-coloured roofs, while the walls should be finished with timber or metal cladding in muted colours. As well as reflecting the judicious use of colour elsewhere in the village, this helps to offset some of the darkness of the site caused by the adjacent bank of coniferous trees.

The row of five terraced 2-bedroom cottages continues the 'massing' of the neighbouring Kindrochit Court complex, reflecting the terraced character of many of the houses in the village. By designing these initially as single storey houses but using 'attic' trusses for the roofs, these houses have the potential to be converted to three-bedroom houses in the future. Constructing these houses will require felling of some mature deciduous trees. These do not form part of the landscape character of the village.

A new access road is proposed, which not only removes the problems associated with new residents using the existing track but also provides a route for construction vehicles during the construction phase. The extent of 'adoptable' (i.e. tarmac) roads and parking is kept to a minimum and access tracks finished in compacted hardcore where possible to reflect the rural character of Braemar. Constructing the new road will require

The proposed new road crosses the flood plain of the Clunie Water. Through discussion with SEPA it has been established that this may be acceptable on the condition that the road level is no higher than the existing ground level.

The proposed layout creates four more homes – and 11 more bedrooms - than the current planning permission provides for. However, a larger development will generate greater economies of scale to share the costs associated with infrastructure for the site including the new road.

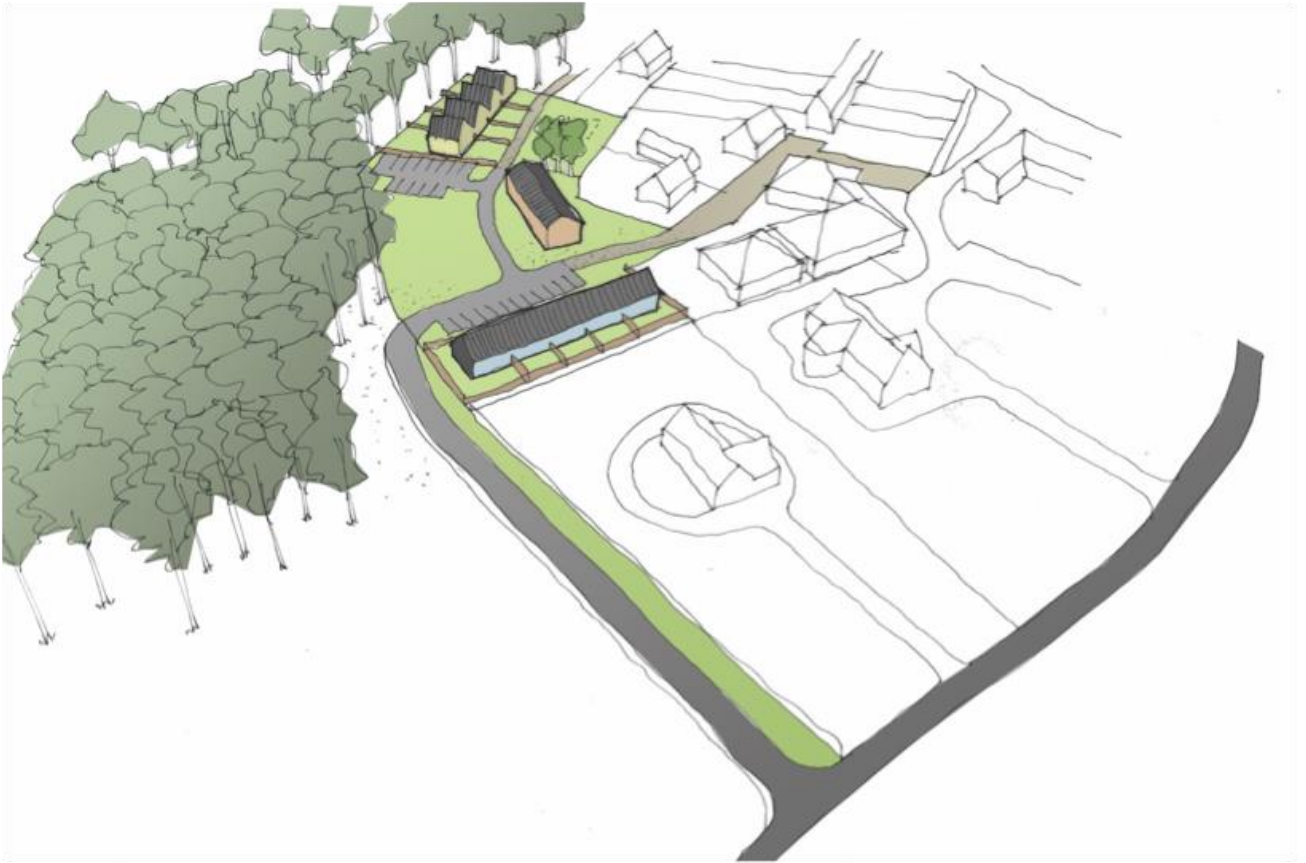


*Above: Proposed site plan*

*Below: Aerial view of proposed development from east*







*Above: Aerial view of proposed development from south*

*Below: Person-eye view of proposed development from existing track to north east*





*Above: Person-eye view of proposed development from new access road to south*

### 3.3 Development Costs

The cost of the housing development at Kindrochit Court has been estimated by Jon Howarth Quantity Surveyors. Further fees and costs have been estimated by Sam Foster Architects

The total construction cost estimate for the 15 homes is £2,709,617. This includes :

Kindrochit Court, Braemar	£
Housing Works	£1,807,315
Highways Works	£200,735
Services	£26,000
Prelims (8%)	£162,724
Contingencies (10%)	£203,405
Topographical site survey	£1,800
Ground investigation and drainage assessment	£1,500
Arboricultural assessment	£1,440
Habitat survey	£900
Contaminated land survey	£2,400
Flood risk analysis	£5,178
Topographic Survey for flood plan	£2,160
Planning Fees	£6,060
Building Warrant Fees	£18,000
Project Management	£20,000
Design Team Fees	£240,000
Total Construction Cost	£2,699,617
Cost per house	£179,974

This options appraisal assesses the financial viability of the project testing different rent levels and mixes of tenure to determine a way forward for the project which provides a financially viable and sustainable development which meets the housing needs of local people.

### 3.4 Development Options Appraisal

#### 3.4.1 Rent

Most of the housing need demonstrated through the housing needs survey is for affordable housing to rent and this should be the main focus for the housing at Kindrochit Court. The rental income from the houses in the development will be used to cover any loan taken out to help build the houses as well as costs associated with housing management, repairs, voids and long term maintenance. Therefore the amount of rent to be charged has

to be affordable to local households but also be sufficient to cover the costs associated with the development and management of the houses.

To determine what an affordable rent for the Kindrochit Court development local people were asked at the community consultation what they considered to be an affordable rent. Three rent levels were suggested: Aberdeenshire Council, Castlehill HA and Aberdeenshire LHA rents. Across the 3 houses sizes proposed most people suggested that the Aberdeenshire Council rent levels (the lowest) were affordable with Castlehill HA rents which are slightly more expensive favoured by some although all consultees felt that local rents should be cheaper due to higher living costs and a number suggested that private rents were only slightly more than housing association levels. The full Aberdeenshire Council Local Housing Allowance rents were unanimously dismissed as too high.

The housing needs survey found that nine of the 15 respondents with housing needs and interested in renting an alternative home stated that they could afford to pay a rent of around £400 per month, a further four suggested they could afford to pay between £500 and £600.

We have used Scottish Government guidance on rent setting to estimate the rental charges required on the properties, and to ascertain the feasibility of the housing project which meets the housing needs identified and would fit with the expectations of local people regarding the affordability of a community led housing development.

	3 bedspace	4 bedspace	Annual Rental Income
RSL Social Rent Benchmark	£372	£406	£68592
Braemar Project Rent	£404	£436	£74256

Rents are projected to increase by inflation + 1% - an average of 3% is used in the spreadsheets.

The bulk of this rental income will be used to generate loan funding for the project. There are however several additional costs which have to be met from the rent.

#### *3.4.2 Management Charge*

A management charge of £400 per annum for each house is deducted. This is used to cover any costs associated with the administration of the 15 tenancies. The management can be undertaken locally or Aberdeenshire Council/Castlehill HA could be contracted to deliver this.

Some community housing projects have been able to negotiate for the local council or housing association to take on the management of their houses free of charge. This could potentially release £4500 per annum to be used to generate a higher loan amount where required to reduce grant funding.

#### *3.4.3 Repairs and Maintenance Charge*

A repair and maintenance charge of £200 per property is deducted. This allowance will meet day to day repair and maintenance costs. The costs are lower at the beginning given the houses should not need repairs and any that arise will be the responsibility of the building contractors.

In addition to day to day repairs an allowance is required in the rent for major component replacement costs with annual surpluses sufficient to replace components such as windows and kitchens at the end of their useable lifetimes.

#### *3.4.4 Voids*

Annual loss due to periods of time when properties are void has been set at 2% of rental income. This is based on rates used by housing association in appraising project viability. Given housing need demonstrated by the housing needs survey it is evident that there is significant demand for housing in Braemar and therefore voids unlikely to be higher.



These four expenditure items in total result in a deduction of £10,485 from the annual rental income. The remainder can be used to repay the loan funding required to enable the development.

### 3.4.5 Loan Funding

Most community led housing projects will have to take out loan funding to supplement grant funding. This loan will be repaid from the rental income raised from the housing development. There are several banks who are willing to offer loan funding to community organisations to deliver housing where housing need can be demonstrated and therefore there is a secure rental income. Current rates available range from 3.75% to 5% - the spreadsheets use 5% to help determine viability - viable options will need to be stress tested using higher interest rates to determine viability at greater rates.

Major lenders in this area include Triodos Bank and Ecology Building Society. The rates achievable from the lender will be dependent on the asset base of the community organisation, the amount of loan required and the the of development being undertaken. An additional variant is the length of time over which the loan is taken. Ecology BS offer a 40 year loan product which offers community projects greater viability at the beginning of developments - the spreadsheets accompanying this report include viability scenarios over this 40 year loan period. Alongside loan funding all the banks will charge an arrangement fee.

### 3.4.6 Grant Funding

- Rural Housing Fund

The main source of grant funding for community led housing is the Rural Housing Fund. The Scottish Government launched this fund in 2016.

For individual projects the guidance states that the Scottish Government “would expect the level of Scottish Government support requested to reflect the needs of the particular project” and suggests that ‘the Affordable Housing Supply Programme benchmark subsidies provide a useful reference’. This refers to the benchmark targets for grant funding provided to housing associations. In Aberdeenshire this equates to a benchmark grant of £74,000 per property for a home built to greener standards. The guidance goes on to request that applicants “consider the level of funding requested carefully as this will be considered as part of the Value for Money assessment of the application”.

The inference of the guidance is that projects should expect benchmark grants near the Affordable Housing Supply Programme level but that projects should also seek support which reflects their needs. The actual grant available is therefore flexible and determined in part by the assessment of the application.

- Rural Housing Fund - Assessment Criteria

There are five assessment criteria for the RHF;

*Deliverability - where the project can be delivered on time and on budget.*

This assesses the business plan for the project, the arrangements for the management of the build, the measures for housing management, maintenance and allocation of the houses. It also considers what funds the applicant is bringing to the project.

*Housing need/Demand and Strategic Fit*

The local authority’s view - how well the project fits with the local housing strategy priorities. How well the housing will meet local housing need.

*Value for Money*

The grant cost per home/ beneficiaries of the project.

*Community Engagement and participation*

Strong evidence of community support

*Sustainability and wider economic benefits*

How the project will deliver wider social/economic benefits.

Additional prioritisation may also be given to small scale projects, those from more remote locations and those which can demonstrate partnership working.

The development of the houses for rent at Braemar by BCL is able to demonstrate that it meets all of these criteria:

- the business plan will demonstrate sound finances, measures to enable the effective implementation of the development, professional arrangements for the management, maintenance and allocation of the houses.
- the development of homes at Braemar is supported by Aberdeenshire Council and Cairngorms National Park Authority and reflects the ambitions of the local housing strategy and the Cairngorms Local Development Plan
- the project is developed by the community company, is in response to community consultation on housing needs and fits with community priorities regarding tenure and rent levels established through the survey and consultation events.
- the project will help secure long term affordable housing helping to provide housing opportunities for young households and contributing to economic development and local business growth.

The RHF application will provide further detail as to how well the application will meet the RHF criteria. However for the purposes of this feasibility study it is clear that the BCL project meets every assessment criteria as well as the measures for additional prioritisation. There is every reason to be confident that an application to the Rural Housing Fund would be successful.

#### • Rural Housing Fund/ Loan Funding Requirement

The viability of the project and the likelihood of securing Rural Housing fund grant depends on the rent level to be charged. This is illustrated below.

#### RSL Social Rent Benchmark - 15 homes for rent<sup>3</sup>

At this level of rent the Kindrochit Court development could secure loan funding of £1,000,000 to deliver 15 homes. This is based on borrowing at 5% over 40 years. This level of loan funding would require grant funding of £107,996 per house.

In this scenario, using benchmark rents the development requires grant funding of over the Rural Housing Fund benchmark figure for development at Braemar - which is set at £74,000. The requirement is also more than the enhanced benchmark, £84,000, used for developments in remote West Highland and Island communities. However it should be noted that this level of funding may be justifiable given that Braemar shares characteristics of remote communities which would warrant this uplift in grant.

In order to achieve a grant requirement nearer the benchmark grant level a higher rent for the development is proposed. The rents would be on average 8% higher than benchmark rent levels but given the proposed energy efficiency of the homes this higher rent could be justified. The proposed rents would be £404 for a 3 bed space home and £436 for a 4 bed space home. Both rents levels would maintain rents close to the £400 level the local community stated was affordable.

#### BCL Rent Proposal - 15 homes for rent<sup>4</sup>

At this level of rent the Kindrochit Court development could secure loan funding of £1,100,000 to deliver 15 homes. This is based on borrowing at 5% over 40 years. This level of loan funding would require grant funding of £99,995 per house. Assuming a Housing Infrastructure Grant contribution of £15,000 per home, a grant of £84,995 per home would be required

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<sup>3</sup> Appendix 1

<sup>4</sup> Appendix 1

### 3.4.7 Reducing grant funding requirement

The level of grant funding required may be reduced by:

- lowering project build specification - reducing costs
- increasing funding from alternative sources
- incorporating low cost home ownership options to the development
- sale of self build plot
- Lowering project build specification - reducing costs

The scope for reducing the build specification for the homes is limited. The design and materials have reflected the need to keep costs low - using timber and sheet materials in the construction of properties. Off site production of the housing units may offer some savings where local tenders are limited or expensive.

Project infrastructure costs are high due to the need to create a new road into the project. This adds £15,000 per house to costs.

- Increasing funding from alternative sources

#### Scottish Government Housing Infrastructure Fund

There may be scope to secure funding for the infrastructure costs of £225,000 from the Scottish Government Housing Infrastructure Fund. This funding is targeted at opening strategic sites and there would be a strong argument for Kindrochit Court fulfilling this category given the need to support local economic development and the paucity of alternative development options in the village.

#### Charitable Trusts

Mull & Iona Community Trust secured funding from the Quaker Housing Trust to support their development of housing at Ulva Ferry. The Quaker Housing Trust give grants and interest-free loans for capital cost items of expenditure for “bricks and mortar” housing projects which meet a demonstrable need. MICT also secured funding from the Trusthouse Foundation.

Funding could also be sought for elements of the project costs such as project management from more general funding options such as the MacRobert Trust, or the Marr Area Partnership.

#### Aberdeenshire Council

There may be scope to secure funding from Aberdeenshire Council from funds associated with Second Homes Council Tax income or developer contributions. Discussions have been held with Moira Simpson at Aberdeenshire Council but no definite assistance identified. However if required an application for any deficit could be made and would be considered.

#### Scottish Land Fund

The proposed development incorporates the acquisition of additional land to provide a new access to the site. Although it is likely that the land could be transferred to the community at nil cost there is potential to secure funding from the Scottish Land Fund for the legal and survey costs involved in the transfer. In addition the Scottish Land Fund can provide revenue funding for projects and therefore may be able to help with project management costs. Funding for revenue costs has however been cut during this current iteration of the Land Fund.

- Incorporating low cost home ownership options to the development

The Rural Housing Fund will also provide grant funding to enable the development of affordable housing for sale. Grant funding of up to £46,000 is available. Any housing built for sale would have to incorporate measures such as a Rural Housing Burden to keep the housing affordable in the long term, and also to prevent the house being let as a holiday home or retained as a second home.

At Kindrochit Court the project cost of homes is as follows: 2 bed terraced house - £172,872; 3 bed semi detached £230,496.<sup>5</sup> The build costs of both house sizes are above the current Open Market Shared Equity price threshold for South Aberdeenshire - which is the area Braemar is in for the purposes of this scheme. In South Aberdeenshire the maximum threshold price for a 3 bed property is £185,000 and this is the maximum price at which houses built through the Rural Housing Fund can be sold for.

Securing grant funding of £46,000 per house would enable the properties to be sold for £126,872 for a 2 bed home and £184,496 for a 3 bed home.

There would however be added risk associated with converting 5 houses to low cost home ownership. A previous development at Invercauld Gardens included shared equity housing which failed to sell and had to be converted to housing for rent. The housing needs survey also highlighted the predominate demand for housing for rent in the village.

- Sale of self-build plots

There is scope within the development proposal for the sale of a site for self build development. It is estimated that £80,000 could be raised from the sale of the plot.

### 3.4.8 Management Options

Costs associated with the housing management of the Kindrochit Court houses have been incorporated into the spreadsheets appended to this report. A figure of £400 per house per annum has been included for the purposes of determining viability.

The housing management service would include:

- allocating housing to new and existing tenants
- providing appropriate tenancy agreements and managing them
- organising repairs
- providing housing support, information and advice
- dealing with problems between neighbours

Allocation of properties would be operated by the housing management agent using a policy developed by Braemar Community Ltd. The tenants of the housing would be BCL tenants<sup>6</sup>.

Discussions have been held with Castlehill Housing Association regarding the potential for the housing association to provide a housing management service for the fifteen houses. David Lappin, the Chief Executive, has indicated that Castlehill HA would be able to provide this service. A detailed quote for the provision of this service will be sought for the final Business Plan when the number of rented homes to be managed has been decided.

The other social landlord with homes in Braemar, Aberdeenshire Council, may be able to provide a housing management service, and they have been approached for a cost associated with this. Both Castlehill HA and Aberdeenshire Council can also provide routine, emergency and long term maintenance for the new housing.

- Leasing

An alternative to a housing management service arrangement would be for BCL to lease the properties without tenants to Castlehill HA or Aberdeenshire Council. This would have the advantage that BCL would not have to become registered as a landlord and could negotiate a long term lease of the houses. The main disadvantage of this approach is that the homes would be let using the leasing landlord's allocation policy and would not necessarily prioritise local people - although a Local Lettings Policy may be able to be negotiated.

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<sup>5</sup> Prices calculated by adding build cost of home to share of infrastructure/development costs. Share of Infrastructure/development costs calculated by dividing total cost £1,059,617 by total number of bedspaces (49) and multiplying by number of bedspaces in house - for 2 bed this is 3 bedspaces and for 3 beds this is 4 bedspaces (2 bed £108,000 + [3x £21,624] = £172,872 : 3 bed £144,000 + [4 x £21,624] = £230,496.

<sup>6</sup> BCL has to register with Aberdeenshire Council as a landlord. BCL tenants will have the new Private Residential Tenancies. BCL should become an accredited landlord to assure tenants that best practice in tenancy management is followed.

The combination of a management agent for some of the homes and leasing others may be possible. The terrace of 5 houses next to the sheltered housing owned by Castlehill HA could be leased to the housing association as amenity housing for older people able to utilise services from the sheltered housing next door. The terrace could be leased by Castlehill HA with the remaining 10 houses managed by the housing association but let to BCL tenants. A variant on this option would have Castlehill HA partner on the overall development and take ownership of the 5 houses.

- **Allocations Policy**

One of the attractions of the Rural Housing Fund and community led housing is the ability it provide for communities to prioritise how housing is allocated. Whilst a community landlord can give priority to local people they have to comply with equalities law and ensure that no person or group of persons is treated less favourably than any other person or group of persons. The allocations policy must be transparent, fair and the target tenant group should be people unable to access housing due to scarcity or cost. The Rural Housing Fund guidance illustrates good practice for an allocations policy by appending the Knoydart Foundation policy. This balances the housing needs of existing households in the community with the need to provide housing for essential incoming workers.

- **Project Development**

The project budget includes a sum of £20,000 for project management of the development. This could be used to employ someone directly or to contract a project management service from a local housing association, local developer/contractor or architect.

## **4.0 Conclusions**

### **4.1 *Housing Need***

There is significant need for affordable housing to rent in Braemar. This is demonstrated by several housing needs surveys including the update undertaken for this Feasibility Study. This need arises from new household formation, retirees from tied housing, downsizing older people, incoming workers and overcrowded families. Most households are small - single or couples - therefore smaller sized properties are required. There is however a imbalance in the affordable housing stock available in Braemar most of which is 1/2 bedroom homes and there is demand expressed through the council waiting list and housing need survey for larger family homes. For this reason it is proposed that the development at Kindrochit Court is formed from 11 x 2 bedroom houses and flats but also includes 4 x 3 bedroom houses.

### **4.2 *Viability of Community led Development***

This study highlights that the proposed development of 15 homes by Braemar Community Ltd is a viable proposal dependent on securing grant and loan funding. This in turn is dependent on the agreed rent level for the project and decisions regarding the part of the development being for sale. At higher than social rent benchmark rents there is sufficient rental income to service loan funding for the project and to contract management services from a local social landlord. However this rent level would have to be negotiated with the Scottish Government.

A development of 15 homes for rent will require loan funding of £1.1M and grant funding of £1.49M as well as receipts from the sale of land for a self build plot.

The study proposes several routes to secure alternative additional grant funding and illustrates options for the inclusion of house sales, or development partnership options.

## Appendix 1

### RSL Social Rent Benchmark x 15

RSL Social Rent Benchmark	Increase pa		2021/22	2022/23	2023/24	2024/25
2 bedroom (£372 pu pm @ 2021/22) x 11	3.00%		£4,092	£4,215	£4,341	£4,471
3 bedroom (£406 pu pm @ 2021/22) x 4	3.00%		£1,624	£1,673	£1,723	£1,775
Total Monthly Income			£5,716	£5,887	£6,064	£6,246
Annual Rental Income			£68,592	£70,650	£72,769	£74,952
Management @ £400 per unit	3.00%		£6,000	£6,180	£6,365	£6,556
Maintenance @ £200 pu	3.00%		£3,000	£3,090	£3,183	£3,278
Voids 2%	3%		£1,372	£1,413	£1,455	£1,499
Loan (£1,000,000@5%) 40 years			£57,864	£57,864	£57,864	£57,864
Annual Expenditure			£68,235	£68,547	£68,867	£69,197
Surplus			£357	£2,103	£3,902	£5,755
Accumulated Surplus			£1,240	£4,322	£9,302	£16,238
Development						
Construction Cost		£2,400,179				
Professional Fees		£240,000				
Topographical Survey		£1,800				
Ground Investigation		£1,800				
Aboricultural Survey		£1,440				
Habitat Survey		£900				
Contaminated Land Survey		£2,400				
Flood Risk Assessment		£5,200				
Topographical Survey for Flood Plan		£2,160				
Planning Fees		£6,060				
Building Warrant		£18,000				
Project Management		£20,000				
Total Cost		£2,699,939				
Rural Housing Fund Grant Funding		£1,619,939	£107,996	Infrastructure costs £15,000 pu		
			RHF £92,995 Infastructure Fund £15,000			
Self Build Sales		£80,000				
Mortgage		£1,000,000	£66,667			
Total Funding		£2,699,939	£174,663			

## Appendix 2

### BCL Rent Proposal

BCL Rent Porposal	Increase pa		2021/22	2022/23	2023/24	2024/25
2 bedroom (£404 pu pm @ 2021/22) x 11	3.00%		£4,444	£4,577	£4,715	£4,856
3 bedroom (£436 pu pm @ 2021/22) x 4	3.00%		£1,744	£1,796	£1,850	£1,906
Total Monthly Income			£6,188	£6,374	£6,565	£6,762
Annual Rental Income			£74,256	£76,484	£78,778	£81,142
Management @ £400 per unit	3.00%		£6,000	£6,180	£6,365	£6,556
Maintenance @ £200 pu	3.00%		£3,000	£3,090	£3,183	£3,278
Voids 2%	3%		£1,485	£1,530	£1,576	£1,623
Loan (£1,100,000@5%) 40 years			£63,649	£63,649	£63,649	£63,649
Annual Expenditure			£74,134	£74,449	£74,773	£75,106
Surplus			£122	£2,035	£4,006	£6,035
Accumulated Surplus			£1,240	£4,322	£9,302	£16,238
Development						
Construction Cost		£2,400,179				
Professional Fees		£240,000				
Topographical Survey		£1,800				
Ground Investigation		£1,800				
Aboricultural Survey		£1,440				
Habitat Survey		£900				
Contaminated Land Survey		£2,400				
Flood Risk Assessment		£5,200				
Topographical Survey for Flood Plan		£2,160				
Planning Fees		£6,060				
Building Warrant		£18,000				
Project Management		£20,000				
Total Cost		£2,699,939				
Rural Housing Fund Grant Funding		£1,499,939	£99,995	Infrastructure costs £15,000 pu		
CNPA/ Aberdeenshire Council		£20,000	RHF £84,995	Infrastructure Fund £15,000		
Self Build Sales		£80,000				
Mortgage		£1,100,000	£73,333			
Total Funding		£2,699,939	£174,663			

## Appendix 3 - Site Plan

