

STATEMENT OF CASE
Dominic Fairlie for SCOTIA HOMES LIMITED
Policy 21 –Affordable Housing

1. My name is Dominic Fairlie. I am a graduate Civil Engineer and have been a director of Scotia Homes Limited since 1994. I will be attending the hearing personally.
2. Scotia Homes Limited is a private limited company based in Ellon, Aberdeenshire. The company started in 1990 and has developed sites from Inverness to Edinburgh. The main area of activity is in Aberdeenshire where Scotia Homes is of a reasonable size. Scotia Homes was responsible for two developments in Ballater over recent years, one at Monaltrie and the other at Invercauld Park. Scotia Homes has an interest in future development in Ballater.
3. My main area of responsibility for Scotia Homes is in design, particularly that of new mixed use areas of development that are urban (rather than suburban) in form. I am also involved in land purchase. Among my other responsibilities I am also a director of City Financial (Aberdeen) Ltd which is an independent financial advisor with offices in Ellon, Aberdeen and Inverness. This is relevant to the issue of affordable housing, particularly the issue of raising finance (mortgages) for low cost home ownership.
4. Scotia Homes has always supported policies relating to the provision of affordable housing on site. As a business we try to find on-site solutions rather than make payments in lieu. Because of this we now have a fair amount of experience with different mechanisms of affordable housing provision on our sites.
5. Our site at Invercauld Park in Ballater was one of our first in which affordable housing was provided on site. An area of ground for five houses (representing 10% of all the houses on the site) was allowed for, integrated within the built setting. We provided the land to a housing association which then built the houses which are (I believe) available for rent. We have subsequently provided affordable housing on sites at Hatton of Fintry, Ellon, Laurencekirk, Inch, Muir of Ord, Rothienorman, Kirkcaldy and Balmedie and are actively negotiating for the provision of affordable housing on other sites that are still in the planning process. We have experience of different methods of delivery, from subsidised purchase to low cost rental through a housing association. Affordable housing on these sites is provided at varying percentages, but none at more than 25%.
6. Scotia Homes has also been active in trying to enhance the level of design in new developments. Working with a number of experts, including The Prince's Foundation for the Built Environment, and we have moved away from the

traditional suburban model for new housing development and we now promote urban styles that are more in keeping with the existing settlement patterns found in all our villages, towns and cities. We currently have three developments under construction (Rothienorman, Balmedie and Kirkcaldy) which are urban in form, have mixed use and have a mixture of private and affordable housing. In addition we have other developments in the design phase, notably in Ellon, Aberdeenshire.

7. A fundamental part of the urban design solution is to ensure a mix (which is not dissimilar to that found in most of our historic settlements). This mix includes for residential, commercial and leisure fully integrated and within very close proximity to each other. Part of the residential mix is how the affordable housing is delivered, it can either be pepper-potted through the development or it can be allocated a particular area of the site. We feel strongly that pepper-potting is a much better solution.
8. The mixed use urban form of development is something that is being encouraged by the Scottish Government. The Cairngorm National Park Authority (CNPA) has taken account of mixed use development in the draft of this Local Plan, and this is to be applauded.
9. As a company Scotia Homes has been one of the first in Scotland to adopt this type of development. We are therefore fairly unique in having experience of both the type of development being asked for by this local plan and the provision of affordable housing within it, provided either with public subsidy or not.
10. As it relates to the provision of affordable housing, and particularly at the levels being asked for by the CNPA, we have the following comments that will form the basis of our discussion at the hearing:
 - i. Over the last 8 years or so house prices all over the country have risen, driven largely by the easy availability of credit. Indeed the draft plan was produced against this backdrop. During this time it has been all too easy for Local Plans to demand ever more from landowners and developers. We see this in the increased requirement for affordable housing (up to 40%) and also the desire for additional environmental hurdles (added as a requirement in the final draft).
 - ii. At the same time there has been a political desire for affordable housing to remain affordable in perpetuity. Early affordable housing agreements (section 75 agreements) allowed for any subsidy to be time limited, such that a house sold as affordable today, would cease to be affordable in, say, 10 years time. However, because credit was easy, it was easy for authorities to ratchet up their demands. More recent agreements for affordable housing attempt to ensure that property sold as affordable

remains affordable for ever. We now live in a very different market environment, one where credit is not so easy, and lenders are reluctant to lend against such draconian terms. By definition, an affordable buyer is likely to need a mortgage in order to purchase a property, but that property will remain unsold if it proves impossible to raise the funds. This is the situation we have today. I have no doubt that tomorrow will be different but in what way, no one can be sure. What is clear is that a change has occurred and low cost home ownership cannot now be delivered when clauses remain in property titles restricting its sale on the open market.

- iii. It may be easier for affordable housing to remain affordable in perpetuity if delivered through a housing association. Over the long term I doubt that this is always going to be the case. Councils have been selling council housing under right to buy legislation. In some of our larger cities (for example Aberdeen) councils are now looking to go further than just selling individual units, they are now looking to re-develop council estates as a method of improving the built environment and mix. Such re-development would mean some property is sold to the private market. As a second example, it would only take one of the housing associations to run into financial difficulty (not beyond the realms of possibility today), and I suspect that the desire for housing to remain affordable in perpetuity will rank below the desire for repayment of creditors money (tax or a bank).
- iv. It makes little sense to restrict (through attempts to maintain perpetuity) the delivery of other affordable housing mechanisms. For example what happens if housing associations do not have the available funding and the perpetuity clauses are stopping the developer from selling low cost home ownership? Other sources of funding may need to be encouraged (maybe large pension funds), but this will only be successful if the property can be sold on the open market after a certain length of time (say 10 or 15 years). The Local Plan as it is written is far too restrictive and should allow for change in the market. The CNPA should resist the temptation to enforce strict rules on affordable housing which may limit delivery mechanisms with the possible result that it restricts all development in the park.
- v. The CNPA indicates that it wants to have a level playing field, and uses this to defend its desire for up to 40% affordable housing. However, it then goes on to say that it will use a toolkit to determine if a scheme's economics can support such a high level of affordable housing. This seems to be contradictory. Having such a high level of affordable housing, taken together with the desire for enhanced design, an increased use of local materials and increased environmental performance may mean that few schemes will pass the economic hurdle. Every one will then be subject to negotiation. Rather than setting a level playing field, we will have reverted to whoever is best at negotiating with the CNPA.

- vi. The CNPA is rightly seeking an enhanced level of design in development. However an increase in the design specification comes at a cost. At Scotia Homes we have information on the cost impact, and it is considerable. Although cost information will form part of the input to the toolkit, it is only right that the CNPA is made aware at this stage of the impact of asking for an enhanced level of design, as taken together with the affordable housing requirements, it may render schemes unviable.
 - vii. Timing is also an issue when it comes to enhanced design. It is our experience that increasing the amount of front end design in a project is expensive and time consuming. Not all developers are willing to do this work and spend the money, and they will be even more reluctant when they know that they still have to negotiate affordable housing requirements with the CNPA when it comes to the section 75 agreement (negotiation of which tends to come at the end of the process when there is a clearer idea of what is actually being built). As a result there will be a conflict between design and cost, with the likely casualty being the design.
 - viii. The development industry should be seen as a possible solution to affordable housing issues rather than being continually derided as a problem. In our developments at Rothienorman, Balmedie and Kirkcaldy we are providing a range of houses and flats of many different sizes which are available to rent through a housing association. In these developments we have maintained the control of the building work, thus ensuring the high standards of design and avoiding conflicts during construction. The key is that affordable housing is actually being delivered. Building is our skill and we are able to provide housing at a much lower cost than one-off developers and many affordable housing providers.
 - ix. Scotia Homes has provided affordable housing both through pepper-potting the units throughout the site as well as locating them all in a single area. There is no doubt that pepper-potting is the better solution. It avoids stigma and can enhance the environment for every occupier on a site by encouraging a mix. However, whilst this works well at levels of up to 25%, we doubt that pepper-potting will work at the higher levels of affordable housing demanded by the CNPA, unless there is a significant amount of low cost home ownership. As mentioned earlier, this will not be easy to achieve in the current market.
11. We would caution that the CNPA needs to think very carefully before setting the level of affordable housing too high. We believe that 40% is too high. The desired outcome, the provision of houses to be available for local people to be able to afford to live in the area is laudable, but an unrealistic hurdle may mean that housing is not provided at all, or that it fails to meet other, similarly important, desires.