

Leasehold Sheltered Housing for the Elderly
in Britain

by

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August 1982

This report was carried out with the assistance of a grant from Canada Mortgage and Housing Corporation under the terms of the External Research Program. The views expressed are those of the author and do not represent the official views of the Corporation.

ABSTRACT

The last twenty years have seen the extensive development of sheltered housing in Britain. This housing is specially designed for the elderly and has as its objective the provision of convenient, well-planned, self-contained dwellings which offer the elderly the opportunity of maintaining their independence while providing security and support.

Because sheltered housing was initially developed only as rental accommodation, it was not available to elderly homeowners - whose assets were usually above the maximum permitted for tenants. In order to remedy this situation leasehold sheltered housing was developed.

Leasehold sheltered housing works this way. In return for a capital investment an elderly person obtains a long term lease to a sheltered housing unit. The individual is thus able to enjoy the advantages of sheltered housing while maintaining his status as owner-occupier and, in most cases, benefiting from any capital appreciation on his new home. And, as an added advantage, elderly homeowners who are trading down may free-up capital to supplement their incomes.

Over the last decade four types of leasehold sheltered housing have evolved. In loan stock schemes a lease or tenancy agreement is exchanged for an interest free loan. While the first loan stock schemes proved unattractive investments, modifications which allow tenants a return on their loans have revived interest in this approach.

Some sheltered housing schemes offer units for sale. Developed by local government, private developers and housing associations the purchaser buys the freehold or long-term lease to a unit at its full market value.

A recently introduced government program has made subsidies available for leasehold sheltered housing. The shared ownership or LSE program provides housing associations with a grant so that they can offer leases at 70 percent of the actual cost or value of the sheltered units.

The most recent type of scheme is equity-sharing. Schemes developed by local councils offer an elderly person a life lease for an amount set at some proportion of the value of the unit. In addition, the purchaser pays a monthly rent, which is pro-rated on the proportion of the equity held by the council. The resident, as in the other types of schemes, is also responsible for a service charge based on his share of all the operating costs.

ACKNOWLEDGEMENTS

During my three weeks in Britain gathering information on leasehold sheltered housing for the elderly I received valuable help from many individuals who are actively involved in the development of this form of accommodation.

I wish to thank representatives of the Department of the Environment and the Housing Corporation for providing me with details of the British Government's housing policy and programs; officials of local authorities for describing their involvement in the provision of sheltered housing; private developers for sharing their experience of building and marketing their schemes; and especially members of the voluntary housing movement -- who were the first to see the need for and undertook development of leasehold schemes -- for sharing with me their extensive knowledge and experience in this field.

I also wish to thank CMHC for providing a grant under their External Research Program. Their support made this study possible.

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EXECUTIVE SUMMARY

This study is an examination of an innovative approach to housing for the elderly developed in Great Britain. Leasehold sheltered housing provides elderly homeowners with the option of obtaining accommodation designed to enhance their independence while allowing them to retain the benefits of ownership. Its development has been primarily the result of several factors: the success of rental sheltered housing; the policy of British governments to encourage home ownership; and the initiative of the voluntary housing sector.

The last twenty years have seen the extensive development of sheltered housing - that is, specially designed housing for the elderly which is usually made up of 20 to 50 small flats linked to a resident warden/caretaker by an emergency alarm or intercom system. Projects often contain communal facilities for the residents and are located close to shopping and community amenities. The aim of sheltered housing is to provide convenient, well-planned, self-contained dwellings for elderly people which offer them the opportunity of maintaining their independence while providing security and support services.

Initially, all sheltered housing was rental. Schemes were developed and managed by municipal councils and by non-profit housing associations. As a rule, units were not available to elderly homeowners, whose assets were usually above the maximum permitted for tenants. However, these people were often in the greatest need of sheltered

accommodation. Because of limited incomes, age related disabilities and increasing isolation from the community their capacity to maintain their homes was very problematical. It was with the needs of these people in mind that leasehold sheltered housing was developed.

Although the concept is relatively new and fewer than one hundred schemes have been completed, leasehold sheltered housing has generated considerable interest in British housing circles because it allows an older person to purchase a long-term lease or similar title to a sheltered housing unit. The individual is thus able to obtain all the advantages of sheltered housing while maintaining his status as owner-occupier and, in most cases, benefiting from capital appreciation on his home. It also provides the possibility of trading down and thereby freeing-up capital for a supplementary income. In addition, there are a number of social benefits; for example, the release of family housing stock onto the market and a decreased demand for public funds to house older people.

Over the last decade four types of leasehold sheltered housing have evolved. Loan stock or tenant investment schemes were the first. Developed mainly by voluntary housing associations, a non-assignable lease or tenancy agreement is exchanged for an interest-free loan. While early schemes proved unattractive investments in a time of rapidly rising property values, modifications which allow occupants to benefit from the appreciation on their units have revived interest in this approach. Also, loan stock seems to have considerable appeal for those who prefer one of the more service and/or amenity rich variations of the conventional scheme. These range from projects providing bed-sitting

accommodation with full board and resident nurse to recreational oriented retirement villages for the affluent and active older person. Probably the greatest potential for loan stock lies in its further development as a form of home equity conversion - where the participant would be able to cash in on the equity in his sheltered unit without having to leave it.

Some sheltered housing schemes offer units for sale. Developed by local government, private developers and housing associations the purchaser buys the freehold or a long-term lease to a unit at its full market value. On termination of the lease the owner or his estate sells the lease or title on the open market (or back to the vendor) at its current market value. This type of scheme is currently the most prevalent form of leasehold sheltered housing with approximately 1000 units completed by the end of 1981. Private developers, in particular, are building projects for both the high and low ends of the market which offer conventional sheltered housing features.

The British government is playing a major role in the development of leasehold sheltered housing as part of their policy of encouraging home ownership through the introduction of "intermediate" forms of tenure. In 1977 the government, in cooperation with the National Federation of Housing Associations, established a shared ownership or LSE program whereby a sheltered housing project developed by a housing association receives a government subsidy so that 60 year leases can be sold for 70 per cent of the actual cost or value of the units. The program is designed to allow owners of homes of only modest value to purchase sheltered accommodation. To date over 700 LSE units have been approved although fewer than 200 have been completed.

The newest form of leasehold sheltered housing is equity-sharing. Developed by local (government) authorities, an elderly person purchases a life-time lease for an amount set at some proportion of the value of the unit. This may be 40, 50, 60 or even 100 percent. In return he receives an equivalent share of the equity. The occupant also pays a pro-rated rent based on the proportion of equity held by the local authority. When the lease is terminated the authority buys it back at the current market value. (A lessee may, during the term of his lease, purchase another share in the equity.) As with all leasehold schemes the occupant pays a monthly service charge which includes the salary of the warden and costs attributable to maintenance, management, etc. The first project developed under equity-sharing was in the final stages of construction in early 1982.

The development of leasehold sheltered housing has so far been rather limited. Although this is partly due to the newness of the concept there are also very real economic constraints. In order for a scheme to "work" there must be a "cost match" between the value of the housing in the market area and the cost of new development. Because property values are relatively low in the north of England most leasehold development has taken place in the south of the country. Small towns in retirement areas along the coast have been particularly popular as locations for schemes.

To a great extent the planning and design of schemes has been modeled on a conventional rental sheltered accommodation. Considerable attention is given to selecting sites which provide easy access to shopping and public transportation. Units are designed with the special physical needs of old people in mind. However, developers have adapted the basic

format in response to the diversity that exists among those older people who comprise the market for this product. In general, the size of the units are larger than in rental schemes; in some cases two storey two-bedroom houses are offered. Housing associations in particular, have found that purchasers of units in these projects are more independent than residents of rental schemes. As a result, several have down graded the importance of providing communal facilities and have restricted the role of the resident warden. In fact, the whole question of what constitutes an appropriate level of support is a subject of continuing debate. Managers of leasehold schemes have expressed concern about being able to deal with problems arising from an increasing old and frail resident population.

CONCLUSIONS

The development of leasehold sheltered housing has provided elderly British homeowners with an attractive housing option. However, the question of whether this option can be made available to older Canadians cannot be answered without consideration of conditions in this country. In spite of many similarities there are significant differences between Canada and the U.K. which may affect the viability of leasehold sheltered housing here. In order to assess the possibilities for its development the following topics must be examined.

1. The legal aspects of leasehold tenure. Although leasehold is a common and widely accepted form of tenure for residential accommodation in England, its appropriateness in Canada remains to be determined.

2. Consumer attitudes. In Britain rental sheltered housing has been provided for more than twenty years and most people are aware of its features. In Canada the closest equivalent, congregate housing, is still fairly new and mainly limited to a few large projects. Therefore, it is important to determine the attitudes of seniors, particularly owner-occupiers, to the concept of sheltered housing and more specifically leasehold sheltered housing.
3. The potential market. Although the supply of moderately priced private rental housing is rapidly declining in Britain, private rental accommodation still represents an important part of the Canadian housing stock. Consequently, an elderly Canadian homeowner can sell his house and move into an apartment. In fact, this represents the most common means by which elderly homeowners adapt to changing housing needs. Therefore, the extent to which private rental housing would limit the demand for the specially designed leasehold sheltered accommodation must be determined.
4. Government policies and programs. The British government has supported the development of leasehold sheltered housing as a part of its overall housing policy. This support grew out of a realization that the housing needs of elderly owner-occupiers were not being adequately met by the public or private sector. It is therefore important to determine if federal and provincial government policies and programs have successfully addressed the problems of elderly homeowners. If not, the feasibility of developing a program along the lines of the British LSE and equity-sharing schemes should be investigated.

5. Private sector participation. Although private developers were slow to undertake leasehold sheltered housing in Britain, their projects now comprise the majority of completed units. It therefore seems likely that the private sector would play a significant part in any development of leasehold sheltered housing in Canada. Not only is there a role for the speculative developer and provider of bridge financing but the concept lends itself to the creation of long term investment opportunities for the private or institutional investor. However, the nature and extent of potential private sector participation requires further research.
6. Non-profit development. In Britain the voluntary housing movement was the innovator of leasehold sheltered housing and continues to play an important role in its development. Although there are no voluntary housing associations in Canada the potential role of non-profit groups and the co-op housing movement in the provision of leasehold sheltered housing should be examined.

Several of these topics will be investigated by the author as part of a new research project, "The Development of Leasehold Schemes for the Elderly in Canada", to be carried out with the assistance of a grant from CMHC under the terms of the External Research Program.

INTRODUCTION

Over the past few years, Canadians have become increasingly aware of our growing population of older citizens, particularly in terms of providing for their special need. Issues related to housing, income security, health care and social services have been highlighted in the media and have become a major concern of government policy makers, the academic community and service providers. With respect to housing for the elderly, at a recent conference sponsored by the University of Toronto on Housing for an Aging Population: Alternatives, a number of papers strongly underlined "the realistic problems facing our society in terms of planning for an increasing number of individuals of late middle-age, young-old and very old ...

and the need to provide variety of shelter as well as flexibility in the system so that individuals throughout their life span can have their needs met appropriately as they changed.¹

There can be no doubt that the number of older people in Canada will increase dramatically during the remainder of the century. From a population of approximately 2 million aged 65 or over in 1976 projections show more than 3.5 million by 2001 - an increase of about 75 per cent. This increase will also be reflected in the proportion of older people in the population as a whole. Although the elderly currently account for about 9.5 per cent of our total population, projections indicate that this could rise to about 11 per cent by the end of the century and to

¹ Wigdor, and Ford, Housing for an aging population: Alternatives, p. vi.

over 15 per cent by the third decade of the next century. In addition, the number of elderly households is expected to increase by about 92 per cent over the next twenty years, if current trends in household formation continue.²

The challenge we face is not only to provide an adequate supply of housing for our senior citizens but also to develop more appropriate forms of accommodation. Today, the elderly have few housing options despite the fact that their needs, preferences, capabilities and resources are very diverse and subject to sudden change. Also, given present trends it is likely that future generations of old people will have higher expectations regarding their housing: they will demand not only better accommodation but also a wider range of alternatives.

Therefore, the purpose of this report is to examine a new form of housing - leasehold sheltered housing for the elderly - which has been developed in Britain over the past decade. Although there are obvious differences between Canada and Great Britain in many aspects of housing the British experience can be useful to us. With about 15 per cent of the U.K. aged 65 or over Britain has already had to address itself to the question of housing for its elderly. Furthermore, older people on both sides of the Atlantic share many common concerns, aspirations and preferences - particularly the desire to maintain their own homes and an independent life-style.

Leasehold sheltered housing for the elderly in the U.K. is made up of several variants: loan stock schemes; sheltered housing for sale; shared

² Stone, and Fletcher, A Profile of Canada's Older Population.

ownership or LSE schemes; and equity-sharing schemes. It is currently being developed by non-profit housing associations, the private sector and local government and is primarily designed for older homeowners who because of limited incomes and age-related disabilities are finding it increasingly difficult to manage in their own homes.

Leasehold sheltered housing schemes work this way: A retired individual or couple "purchases" a long term lease or tenancy agreement on a unit in a small housing project. These "sheltered" housing projects usually are made up of between 20 and 50 specially designed one- and two-bedroom self-contained flats. Conveniently located to shopping and public transportation, they often include communal facilities for the residents, an emergency call system and a resident manager/caretaker to keep an eye on things and provide assistance if required. Therefore, these schemes provide accommodation with security, independence and company while allowing the residents to retain many of the benefits of home ownership. In addition, they often provide the elderly homeowner with the opportunity of trading down, thereby freeing-up capital to supplement their incomes.

The research reported here on leasehold sheltered housing schemes is largely qualitative and exploratory rather than quantitative and definitive. Data were collected by the author during a three week visit to Britain early in 1982, but because the concept is relatively new and, in some respects still evolving, many details were not readily available. Nevertheless, the report gives a general overview and, where possible, a more detailed discussion and analysis of the various aspects of leasehold sheltered housing. Hopefully, it will provide the reader with sufficient

information on this innovative approach to elderly persons' housing to allow him to assess its potential for development in Canada.

The report is organized into three main sections. Part one, reviews demographic and housing trends, social factors, government policies and the roles of the three housing sectors which undertake development of leasehold sheltered housing schemes. Part two, examines the four variants of the basic leasehold approach: loan stock schemes; sheltered housing for sale; shared ownership (LSE); and equity-sharing schemes. The features of each are described and case studies are presented. Part three, focuses on a number of issues relevant to all forms of leasehold schemes. In particular, design aspects, operating policies and support service provision are discussed.

1 HOUSING AND THE ELDERLY IN BRITAIN

1.1 APPROACHES TO HOUSING THE ELDERLY

The importance of housing to the well-being of the elderly has long been recognized in Britain. Increasingly, since the Second World War the British government, local housing authorities, voluntary housing groups and the private sector have realized that the ability of many older people to live in the community and maintain a high level of independence is related to the kind of housing they occupy. Housing experts and the public are becoming more aware of the fact that appropriate housing for the elderly not only provides affordable accommodation but also fulfills three important functions. First, its design and location enhances the occupant's ability to manage independently. Second, it serves as a symbol of the occupant's status within the community. And third, it acts as the focus of the occupant's support system - the network of family, friends, neighbours and social organizations which is available to provide assistance if it is needed.

Over the past few decades, Britain has acted in a number of ways to improve the housing of its elderly population; a population which now numbers approximately 8 million, represents 15 percent of the total population and heads over a quarter of the households.¹ One approach

¹ In the last twenty years the number of people aged 65 and over has risen by a third compared to an increase of less than 7% for the total population. The average age of the older generation is also increasing: the growth in number of people over 75 between 1976 and 1986 is predicted at 24%. The trend toward an increasingly old and frail population will

has been to develop small dwelling units, which can meet the needs of many elderly persons, within the ordinary housing stock. From 1945 to 1960 small units made up 10 percent of local authority production; from 1966 to 1971 it was 27 percent and since 1970 almost a third of all new buildings have consisted of one-bedroom units, most of which are occupied by older people.²

Another approach has been to build housing designed especially to meet the needs of the elderly. "Granny flats" are one example. These small, self-contained units are linked to family housing in such a way that an elderly relative can live near the family but still be independent. However, this accommodation is not widely available - only 3 percent of local authorities have provided it.³ Hostels, such as those developed by the Abbeyfield Society, also provide non-institutional

continue until the early 1990's before a general decline develops.

In 1976, over 48% of elderly households were owner-occupied, 34% were renting from a local authority, 15% were renting privately and 2% were renting from a housing association. Of all elderly households 76% occupied a whole house, bungalow or maisonette, 12% occupied a flat, 5% occupied 'old peoples' accommodation - with a warden', 3% occupied 'old peoples' accommodation - no warden', 4% occupied rooms in houses or other accommodation. (6% of the elderly population lived in some form of institutional care - mainly old people's homes or hospitals). In general the dwellings occupied by the elderly are inferior to those of other age groups. Elderly owner-occupiers in particular live in some of the poorest accommodation.

For details of the population and housing characteristics of Britain's older population see Tinker, The Elderly in Modern Society, and the Department of Health and Social Security, Growing Older and A Happier Old Age.

² Tinker, The Elderly in Modern Society, p. 86.

³ See Tinker, Housing the elderly: how successful are Granny Annexes?

accommodation for the elderly.⁴ These are usually communal arrangements in a large house; each resident is provided with a private bedsitting room with a wash basin and simple cooking facilities. A resident housekeeper cooks and serves meals and general keeps an eye on the residents. However, the most widespread and successful approach to providing special accommodation for the elderly has been the development of sheltered housing.

1.2 SHELTERED HOUSING

1.2.1 Description and Objectives

Sheltered housing is generally considered to be non-institutional housing which has been purpose-built or converted exclusively for the elderly. It is made up of grouped independent accommodation (usually 20 to 50 bedsitters or one-bedroom units) linked to a resident warden by an alarm system. The units are specially designed for ease of maintenance and mobility. The schemes are usually located near shopping and community amenities and often include communal facilities for the residents.

The "principal justifications" for this type of housing have been enumerated by Butler and Oldman.⁵ (1) A move to a sheltered scheme

⁴ See for example, The Abbeyfield Society, The Lights are Green: The Report of the Abbeyfields Society's Commission on Growth.

⁵ Butler and Oldman, "The Objectives of Sheltered Housing".

improves the quality of an old person's housing and may release under-occupied stock. (2) Certain old people, by virtue of ill health, etc., require extra support and the possibility of rapidly available help in the event of an emergency. (3) Loneliness is a problem for many older people, and sheltered housing may in various ways combat this. (4) Sheltered housing provides the older person with more choice about where he should live and in what style. (5) Sheltered housing schemes provide a focus for the delivery of various forms of community services - meals on wheels, home helpers, etc. (6) Older people have special needs which may make them different in various ways from the rest of us, and they, therefore, require the provision of specialist housing. (7) Sheltered housing contributes to the fostering of independence, enabling old people to resist the state of despondency so often engendered in other forms of residential accommodation.

1.2.2 The Development of Rental Sheltered Housing

Since its initial development in the 1950's sheltered housing has continued to grow, with the most dramatic growth taking place over the last ten years. Local authorities and housing associations have developed sheltered schemes as part of the country's "social" housing stock at rental dwellings. In fact, its development and continuing expansion has been largely the result of the strong support it has received from successive British governments.

In 1954 the Phillips Committee recommended that elderly people,

...should as far as possible continue to live as members of the community. With this end in view we consider it is important that special housing of various types, adopted to the needs of old people but not isolated from the rest of the community should be built.⁶

Over the next several years the Ministry of Housing and Local Government issued a number of publications and circulars which urged local authorities to build sheltered schemes.⁷ In, More Flatlets for Old People, published in 1960, it was emphasized that sheltered units were not intended to be a substitute for small conventional units. Rather they were described as an

additional and different form of housing designed specifically for the benefits of old people who, with advancing years become less active and therefore less able to live quite independently of others. The purpose is to provide old people with a comfortable and labour-saving home in which they can be independent but because they are living in a group enjoy additional services to meet their special needs.⁸

Government support and encouragement of sheltered housing continued through the 1960's. They introduced standards, guidelines and design bulletins and relaxed the conditions for subsidy and grant to promote construction of schemes by local authorities. This culminated in the publication of Housing Standards and Costs: accomodation especially designed for old people⁹ which is still considered the most influential document on the subject.

⁶ Quoted in Butler, Oldman and Wright, Sheltered Housing for the Elderly: A Critical Review, p. 27.

⁷ Butler, Oldman and Wright, op.cit. pp. 4-43.

In addition to promoting rental sheltered accommodation in the public sector the government has more recently acted to increase its provision in the voluntary sector. The Housing Act of 1974 extended the lending and regulatory powers of the Housing Corporation and created a new subsidy system with the objective of expanding the role of housing associations. As a result there has been a significant increase in the development of housing for the elderly by associations; particularly sheltered housing.

The results of this policy of encouraging sheltered housing over the last 25 years is evident in the statistics: in 1963, it was estimated that approximately 36,000 people lived in this type of accommodation. Today, the figure is in excess of 300,000.¹⁰ However, even with local authorities and housing associations actively developing sheltered schemes, its provision is geographically very uneven. A recent survey showed that while there was an average of 31 sheltered units per 1000 population over 65 in England and Wales this varied from 17 in Greater London to 51 in North England.¹¹

Although the supply of rental sheltered housing has increased substantially over the last decade there has been surprisingly little

8 Ministry of Housing and Local Government, 1960, p. 2.

9 Ministry of Housing and Local Government, 1969.

10 Butler, Oldman and Wright, Sheltered Housing for the Elderly: A Critical Review, p. 18.

11 Department of the Environment, Report on a Survey of Accommodation for Old People provided by Local Authorities and Housing Associations in England and Wales.

research on its effectiveness and appropriateness. Butler and Oldman,¹² and Tinker¹³ point out the danger of perceiving sheltered housing as the "ideal solution" approach and thereby neglecting other areas of growth and development in the field of housing for the elderly. Bettesworth, on the other hand, believes that there is great potential for change and adaptation within the general context of sheltered accommodation. He writes,

We need all the time to keep an open mind to allow for as much variety in the design and management of schemes as possible and to give potential consumers of sheltered housing as wide a choice as possible, within a frame-work which embraces both public and private money.¹⁴

The development of leasehold sheltered housing is a move in that direction.

1.3 LEASEHOLD SHELTERED HOUSING

1.3.1 The Context

The recent development of sheltered accommodation for sale on a long term lease or tenancy agreement is a result of a number of factors.¹⁵

¹² Butler and Oldman, "The Objectives of Sheltered Housing".

¹³ Tinker, "The Way Ahead".

¹⁴ Bettesworth, "Present Function and Future Possibilities of Sheltered Housing", p. 66.

¹⁵ Although the first 'leasehold scheme' dates back to the 1960s it is only in the last five years that leasehold sheltered housing has taken root in Britain.

First, rental sheltered accomodation has proved very popular. Although researchers are questioning some of its basic assumptions there is no doubt that it provides a very attractive housing option to many elderly persons. Second, there has been a strong trend in Britain to home ownership. In 1951, owner-occupied dwellings accounted for 31 percent of the housing stock in England and Wales; in 1976 they represented 55 percent. There has also been a concurrent decline in private rented housing: from 52 percent of the housing stock in 1951 to 15 percent in 1976.¹⁶ Third, successive governments have supported the desire of people to become owner-occupiers and, in the case of elderly homeowners to maintain that status.¹⁷ And fourth, the voluntary housing movement has been particularly proficient at identifying housing needs and developing innovative forms of accomodation to meet those needs. In addition, a number of local authorities and private developers have been responsive to the housing needs of elderly homeowners.

The question of ownership is particularly relevant in discussing housing for the elderly. About 48 percent of all households in Britain with the head aged 65 or over are now owner-occupied.¹⁸ Many of these elderly homeowners are finding it increasingly difficult and expensive to maintain their homes. The only alternative for them has been to move to rental accomodation. However, even if they can find appropriate rental

¹⁶ Department of the Environment, Housing Policy: A Consultative Document, p. 28.

¹⁷ See for example, Balchin, Housing Policy and Housing Needs.

¹⁸ Department of Health & Social Security, A Happier Old Age, p. 28.

housing, becoming a tenant in one's old age represents a loss of status as well as an erosion in personal independence. Many can recall the sacrifices that were necessary to gain that status at a time when the majority of the British public were tenants. Also, few elderly people are unaware of the effects of inflation and the protection real estate offers for their capital. For such people the outright ownership of the roof over their heads - very few still have any outstanding mortgages - is their main, if not their only, capital asset. Even if they are not concerned with leaving a legacy, they realize that in the event they require nursing home care the proceeds from the sale of their property would provide the necessary funds.

1.3.2 Government Policy

A major thrust of British housing policy over the last two decades has been support for home ownership. The most recent and emphatic enunciation of this support was the Housing Act of 1980. According to one authority, the principles embodied in that legislation represent "a relentless drive into owner-occupation" along with a halt to "the growth of public housing".¹⁹

The policy enshrined in the Act was presented a few years earlier in Housing Policy: A Consultative.²⁰ This "green paper", a comprehensive

¹⁹ Arden, The Housing Act 1980, p. x.

²⁰ Department of the Environment, 1977.

review of housing policy in England and Wales, presented a clear commitment to owner-occupation and an increased role for all three housing sections in promoting it. The authors of that document recognized that "for most people owning one's home is a basic and natural desire" and stated that "a primary objective of housing policy over the next decade" was to "make it easier for the people to obtain the tenure they want" which for "More and more people" was "ownership" or the "newer form of tenure combining some of the advantages of home ownership and renting".²¹

Although not specifically directed at the problems of elderly owner-occupiers, many of the document's conclusions and recommendations support, both directly and indirectly, the development of leasehold sheltered housing. These include a new emphasis on "intermediate" forms of tenure, an increased role for housing associations, building for sale by local authorities, and greater cooperation among the public, private and voluntary sectors.²²

The Green Paper did, however, include a general commitment by the government to housing for the elderly:

We must ensure that the housing needs of groups such as frail, elderly people, the disabled and the handicapped are met. People with special problems should, as far as possible, be enabled to live in the community rather than in special residential care. In some cases the need is for specially designed or adapted housing, in others it is for help in obtaining ordinary housing.²³

²¹ Ibid., p. 8.

More recently, John Stanley, the Minister of Housing and Construction, identified the policy direction his government was emphasizing. He underscored three important objectives of British housing policy aimed at the elderly: (1) Helping the elderly to stay as long as possible in their own homes. (2) Developing new ways of bringing in finance to meet the housing needs of the elderly, both by financing privately the construction of more accommodation that is suitable for the elderly, and by helping elderly people to use their own capital to achieve higher income in their present home or to achieve lower out-going in a different and less expensive home. (3) Concentrating the public expenditure available on those elderly people to whom it is clearly indispensable.²⁴

²² The following are some of the conclusions and proposals in Housing Policy: A Consultative Document (pp. 125-132): (1) Local housing strategies. Local authorities will be asked to prepare comprehensive local housing strategies. The strategies will be based on assessments of the full range of housing needs in each area, taking account of policies in other fields - such as transportation and employment, health and social services - within the broad framework of development plans. Local housing strategies will involve a wide variety of action in both public and private sectors, and will call for further development affecting work relationships between local authorities and all other bodies concerned with housing in their areas, such as the Housing Corporation, registered housing associations, local house builders, building societies, new town corporations, county councils, and tenants' and community organizations. (2) Types of tenure. Local housing and planning authorities will need to ensure within the overall local housing strategy that requirements for widely different types of housing are met. (3) The role of housing associations. The role of registered housing associations should continue to grow and be integrated in local housing strategies. (4) 'Intermediate' forms of tenure. The spread and development of equity-sharing schemes in the local authority and housing association spheres, and of further ventures in 'intermediate' forms of tenure in both private and public sectors will be encouraged. (5) Building for sale by local authorities. In allocating the resources available to them, local authorities should take account of the opportunities to meet housing needs by building new

Overall, government policy has provided a framework within which the voluntary, private and public sectors have undertaken development of leasehold sheltered housing.

1.3.3 History and Development

The development of leasehold sheltered housing began about twenty years ago, and it has evolved in a number of different ways. Housing associations, local authorities and private developers have all played important roles. However, the concept originated within the housing association movement.

Housing associations are non-profit making bodies, run by voluntary committees providing housing or hostels and associated amenities. They have a long history; a number originated in the 19th century as offshoots of large charitable trusts. Others have been based on self-help principles with members using their labour and money to build homes for their own use. More recently, associations have used a combination of charitable and public money with the trend toward almost complete dependence on public funds.

There are about 3000 housing associations registered with the Housing Corporation - a government agency established in 1964 to regulate and

houses - and consider the scope for converting or rehabilitating existing houses - for sale or for the new 'intermediate' forms of tenure.

23 Ibid., p. 7.

24 Speech delivered to Kent County Council Conference on Accommodation for the Elderly, November, 1980.

fund their activities through loans and grants. Most are small; many have fewer than 250 dwellings although some 75 associations have over 1000 units under management. Their present stock numbers about 440,000 rental units of which about 305,000 are new-build and 135,000 have been acquired and improved. In addition, there are some 40,000 co-ownership units and 23,000 almshouse dwellings. Overall, housing associations rented stock accounts for 5.8 percent of public sector dwellings in England and Wales.

About 1000 associations cater to the elderly mostly through the provision of rental sheltered housing. These associations range from very local organizations with only one small project to large national bodies owning more than twenty thousand units. Recent estimates indicate that about one-third of all current association tenants are elderly people and about half new construction is for elderly persons' accommodation.²⁵

In the early 1960s, several small housing associations responded to the problems faced by elderly owner-occupiers (as well as to their own difficulties in obtaining development financing) by establishing "tenancy investment" or "loan stock" sheltered housing schemes. This was a major innovation for a housing association because until then potential tenants of an association were not normally thought of as providers of the capital required to build or renovate the accommodation they would occupy.

²⁵ For an explanation of the role of housing associations and the extent of their activities see Balchin, Housing Policy and Housing Need and NFHA, Year Book 1981/82.

In the early schemes, investment by the occupant, usually from the proceeds of the sale of his house, was combined with capital from public and charitable sources. By the early 1970's most loan stock schemes were financed entirely by the occupants. The payment in each case took the form of a premium for a life-tenancy agreement. In addition, the tenants paid a yearly service charge to cover operating expense, including the warden's salary and expenses.

By the mid seventies, the concept of tenant financed sheltered housing had caught on and a number of housing associations were developing schemes; one, Retirement Lease Housing Association, specialized in this type of accomodation. However, two factors related to the economic conditions of the time created a number of serious problems which slowed development. First, the financial arrangements became less appealing to the potential investor. The tenants in these schemes had no legal stake in the equity and in most cases when the tenancy ended they were only refunded their initial loan, often with deductions. With the rapid increase in property values in the seventies, many prospective tenants of these schemes began to have second thoughts about re-investing the whole or greater part of their capital in property without also participating in any equity appreciation. Also, in many areas development costs outpaced house values, consequently making it impossible for elderly homeowners to realize enough capital to invest in 100 percent loan stock schemes.

Second, the housing associations involved in these early loan stock schemes lacked expertise in speculative development. This inexperience during a period of rapidly increasing costs resulted in financial

difficulties for several associations. They, therefore, found it necessary to solicit government subsidies through the Housing Corporation and the Department of the Environment to cover their cost overruns.

These were, however, only temporary problems. Today, with the benefit of their early experience and the establishment of a Housing Corporation program to provide subsidies, housing associations are again taking the lead in developing leasehold schemes for the elderly. As of December, 1981, housing associations were operating about forty-two leasehold sheltered housing schemes with many more in the construction or planning stage.

In addition to supporting the voluntary sector the government has also encouraged local authorities to build leasehold sheltered housing. This encouragement, as part of their policy of promoting home ownership discussed above, combined with local pressure to increase the supply of housing suitable for elderly homeowners has so far resulted in at least two local councils undertaking the development of leasehold schemes. South Ribble Council, in northwest England, was the first and have been recently followed by the London Borough of Enfield. In addition, several local authorities, for political and financial reasons, have chosen to develop leasehold schemes in partnership with housing associations. The London Borough of Bexley, for example invited two housing associations to participate in partnership with them in the development of three leasehold schemes. This allowed them to benefit from the government's Housing Association Grant (HAG) subsidy. Finally, a number of local authorities are considering granting private developers licences to build schemes on borough properties. Once the schemes are leased the

authorities would manage them.

The private sector has also been involved in the development of leasehold sheltered housing. Private companies and developers have been quick to recognize the potential market for sheltered housing and to benefit from the experience of the housing associations who have built and managed such projects. The first privately produced scheme was completed in 1977 in the southwest of England by McCarthy and Stone Ltd. So successful was their venture that the company decided to specialize in this type of housing. Overall, thirteen private organizations, including two developers have completed at least thirty-two projects.²⁶ And private developers are approaching housing associations and local authorities to examine the possibilities for cooperation in developing additional schemes.

Since its inception leasehold sheltered housing has undergone a number of legal and financial modifications. These were designed to increase its appeal by providing an even more flexible approach to home ownership for the elderly. Indeed, the experiment and debate continues right into the present day as British planners, developers and government officials endeavor to develop schemes which suit the various social and economic groups among the elderly. So far four basic types of schemes have emerged. They are loan stock, equity-sharing, shared ownership (LSE) and outright sale.

26 Unpublished estimate supplied by the Department of the Environment.

2 FOUR TYPES OF LEASEHOLD SHELTERED HOUSING

This section describes the various approaches to leasehold sheltered housing that have been developed to meet the needs of elderly home owners. They are: (1) loan stock or tenant investment schemes; (2) schemes built for outright sale; (3) schemes built under the grant aided shared ownership or LSE program; and (4) equity-sharing schemes. All have one principal objective: to provide an elderly person with accommodation in a sheltered housing project in return for a capital investment. However, there are differences in such matters as terms of occupancy, proportion of equity acquired (if any) by the occupant, availability of subsidy and return on investment at termination of residence. The picture is further complicated by the fact that these plans have been developed by various sponsors for different markets, have used a variety of financial and legal approaches, have had to contend with changes in economic and political conditions and have had to adapt to government programs, procedures and regulations. Table I on p. 23 outlines the essential characteristics of the four basic types of leasehold sheltered housing in terms of sponsorship, conditions of occupancy, type of investment, source of funding, return on investment, amenities and service costs.

A number of case histories have been included under each of the basic types. They describe schemes which have been completed or are under development. They also provide details on the amenities and services which the elderly receive in exchange for their investment; these can range from simple accommodation to luxury housing with extensive

supportive and recreational facilities. The examples have been selected so that all the types of schemes and sponsors are described at least once. A more comprehensive picture is found in Table II, where all the leasehold schemes that have been completed up to December, 1981 are organized according to sponsor and type.

TABLE I - TYPES OF LEASEHOLD SHELTERED HOUSING

Type of Scheme	Sponsor or Developer	Terms of Occupancy (Type of Tenure)	Type of Unit	Occupants Investment (Kind & Amount) (Winter 81/82) in L	Source of Funding	Return on Investment at Term. of Occupancy	Project Amenities & Services	Monthly Costs in L	
Loan Stock	Housing Associations	Life tenancy agreement	Bed-sitters	Loan	Mainly tenant loans but may also include:	Varies: original loan less deduct.; original loan; or original loan + % apprec. value	Varies: can range from conven. shel. hous. to service & facil. rich accom.	L80 for ind. unit	
		Licence of tenure	1 & 2 bed-room flats and bungalows	4,250 to 45,000	government grants; donations; & private investment			250 for bed-sitter & board	
	Private Developers	Life accommodation agreement						200 for ret. village	
		Long term lease							
Sheltered Housing for Sale	Housing Associations	Long term lease	1 & 2 bed-room flats and bungalows	100% Equity	Purchasers	100% of appreciated value	Convention. sheltered housing	Service Charge	
	Local Authorities	Title		19,000 to 57,000	(banks for bridge finan.)			Ground rent	
	Private Developers	(assignable & non-assignable)						Utilities 50 to 150	
Shared Ownership (LSE)	Housing Associations	Long term non-assignable lease	1 & 2 bedroom flats and bungalows	70% Equity	Purchasers	70% of appreciated value	Convention. sheltered housing	Service Charge	
				20,000 to 28,000	Housing Assoc. Grant (30%) (Bridge finan. from Housing Corp.)			Utilities 80	
Equity-Sharing	Local Authorities	Long term non-assignable lease	1 & 2 bedroom flats and bungalows	40%, 50%, 60% or 100% Equity	Purchasers	Appropriate proportion of apprec. value	Convention. sheltered housing	Service Charge	
				16,000 to 23,000	Local author. Housing Investment allocations			Utilities	
									Ground rent
									Council rent 125

TABLE II
Completed Leasehold Schemes (England and Wales)

December, 1981

Developer/Sponsor	Type(s)	Schemes	Units Self-contained	Other
<u>Housing Associations</u>		(42)	(781) *	(394) *
Active Elderly.....	Loan Stock	1	12	30 *
Devizes and District.....	Loan Stock	1	17	
East Boro Housing Trust..	Loan Stock	1	19	133
Eddystone.....	Loan Stock	1	15	
English Courtyard.....	For Sale	3	83	
Friends of James Butcher..	Loan Stock	3	57	
Glebe.....	Loan Stock	1	13	161
Guardian.....	Loan Stock & LSE	9	222	
Hanover.....	LSE	1	36	
Humanist.....	Loan Stock	1	30 *	
Manor.....	Loan Stock	1	30 *	
Mutual Households Assoc...	Loan Stock	7		70 *
Retirement Lease.....	Loan Stock & LSE	6	133	
Rosemary Simmons Memorial.	Loan Stock	5	60	
Secure Retirement Co- ownership Assoc.....	For Sale	1	54	
<u>Private Developers</u>		(35) *	(1,611) *	
McCarthy & Stone Ltd.....	For Sale	17	900	
Retirement Homes Assoc. Ltd.....	Loan Stock	2	211	
Others.....	For Sale	16 *	500 *	
<u>Local Authorities</u>				
South Ribble County Council.....	For Sale	1	32	
<u>Totals</u>		(78) *	(2,424) *	(394) *

DOE unpublished report, "Housing Initiatives for the Elderly in the Private Sector", 1981.

* Estimate.

2.1 LOAN STOCK SCHEMES

Loan stock schemes have been undertaken in both the profit and non-profit sectors; private developers in search of new markets and housing associations concerned about the well being of the elderly have established schemes which allow the old to acquire life tenancy in a unit of sheltered housing in return for a loan. The terms of tenure can be in the form of a life tenancy agreement, a life accommodation agreement, a licence of tenure or a long term lease. All are non-assignable.

The amount of the loan and the terms of repayment are dependent on the type of accommodation provided, the way the scheme is financed and the objectives of the sponsor/developer. The loans vary from L4,250 to L43,000 with a typical flat priced from L16,000.

Sometimes a small percentage interest may be paid; in other arrangements only the capital is returned. One housing association deducts 3 per cent from the principal for each year of occupancy. Usually the schemes which offer no capital appreciation require the smallest loan.

Some plans allow for the tenant investors to benefit from the appreciation of the property they occupy. In these cases, where the loans cover the full development cost, tenants can have their investments repaid plus a portion (e.g. 50%) of the appreciated value when their occupancy ends and new tenancy agreements are "sold". One housing association has recently developed a scheme where repayments on the loan are made during the tenants' occupancy (see p. 37).

Loan stock schemes developed by housing associations have been financed in various ways. In early schemes the residents' loans generally made up only a portion of the total capital costs. More recently the loans have covered the entire cost of the project with interim financing provided by banks, which have been willing to lend to reputable and experienced housing associations. In some cases problems of obtaining interim financing have been alleviated by potential residents providing letters of intent or actually putting up all or a portion of the working capital.¹

In addition to this initial outlay the resident must be prepared to pay a monthly service charge to cover such communal costs as the warden's salary, maintenance and repair of common areas and equipment. Each resident pays his own property taxes and utility costs. A ground rent may also be charged by the freeholder when a lease is involved. Total costs vary: in the few non-typical schemes that offer bedsitters and three meals the total monthly cost would start at about L250. For a self-contained flat or bungalow in a housing association scheme the residents'

¹ Charitable donations, building society loans and government grants have sometimes provided a source of funds. Some examples: In Guardian Housing Association's early loan stock schemes the amount of government grant varied from 2% to 50%. East Boro Housing Association funded one scheme from the following sources: Loan stock from occupants 28%; charitable donations 26%; buildings society loans 20%; Government grant 26%. (Government grants represent a problem: under normal circumstances the Housing Corp. cannot in theory approve Housing Association grants to leasehold schemes other than those in the LSE program).

The amount of each loan is therefore dependent on whether it is simply the exact proportion of the capital cost applicable to a particular unit or takes into account such factors as loan amortization and contingency funds.

total monthly costs are in the L80 range. Monthly costs in the private sector schemes are approximately L200.

The amenities and services purchased by the initial loan and monthly rates vary from one development to another. The majority of schemes, however, consist of self-contained one or two-bedroom flats or bungalows, a communal lounge, laundry room, a resident caretaker/warden and an emergency call system. A guest room may also be provided. A few loan stock schemes sponsored by housing associations offer more extensive services such as a resident nurse, a medical room and meals. They generally provide a choice of units ranging from bedsitters to flats and bungalows. Retirement Homes Association, the one private loan stock scheme, has organized its development on the retirement village concept. It offers a choice of one and two-bedroom flats and bungalows along with extensive services and recreational activities (see p. 35).

2.1.1 Examples of Loan Stock Schemes

A more detailed examination of proposed and existing loan stock dwellings for the elderly reveals a high degree of originality and versatility on the part of British housing associations, planners, architects, financiers and developers. Their projects range from the creation of large country estates of over a hundred acres to the renovation of old, urban mansions. In each case, special attention has been given to the financial, material, social, and recreational needs of the elderly. Even in the projects where provision for rest and convalescence are provided, the emphasis is on encouraging independent

living. One promotional brochure published by Retirement Homes Association is headlined: "Spread your wings at sixty - Supported independence in retirement".

2.1.1.1 Active Elderly Association

The Active Elderly Association, a self-financing, non-profit making charitable institution has developed a loan stock sheltered housing scheme on a nine acre site two miles from Farnham, a town in Surrey just southwest of London. Like a few other loan stock schemes this one provides a greater range of services and accommodation types than would be available in a conventional sheltered housing scheme. However, the financial arrangements follow the standard format: residents are asked to put down a non-secured loan ranging from £5,500 to £11,000 for a suite to £17,500 for a bungalow. These loans are returnable in full in accordance with an Accommodation Agreement which is signed by the resident and the Association. In addition to this initial outlay a monthly charge is levied. With full board this can vary between £448 for a single person and £625 for a couple.

Applicants for the scheme are required to take a medical examination and must be ambulant and able to look after their personal needs; i.e., dressing, bathing, etc. Temporary sickness is catered for by a 24-hour nursing service while normal health and medical needs are met by three local doctors who periodically staff the scheme's medical room. However, in cases of serious illness or disability (as stipulated in the Accommodation Agreement) the resident cannot be accommodated and must go to a

nursing home or hospital.

The accommodation which includes single and double bed-sitting rooms has been created by modernizing a large Georgian house. In addition, 12 modern bungalows in four groups of three were built on the estate. While there are no individual cooking facilities in the main house, the bungalows are all equipped with a small kitchen. All units have bathrooms.

The main building contains a large dining room capable of seating all the residents: 60-70 people. All meals are served here unless a resident is unable to attend because of illness in which case a tray service is provided. Residents in the bungalows may choose full residential or semi-catered arrangements. In the latter case they have one meal a day in the dining room and prepare their other meals in their own homes.

Amenities include a large lounge where residents gather for tea and coffee and socializing, a television room, a library and a bar. Because the scheme is not within walking distance to Farnham the Association operates a mini-bus which provides transportation into town three mornings a week.

2.1.1.2 Devizes and District Housing Society

An imaginative approach in providing housing for the elderly was completed in 1976 in Devizes, a town in Wiltshire near Bath. The Devizes and District Housing Society² acquired a large house which was

2. Founded in 1965 by the local Rotary Club, it is a charity registered under the Industrial and Provident Societies Acts 1893-1954 and affiliated

converted into five flats and a mainsonnette. Eight additional flats and three bungalows were subsequently built on the site.

Acquisition of the property and all building costs were financed by a loan from a local bank guaranteed by Society supporters. Designed for retired professional and self-employed people from the Devizes area the first residents were required to loan the Society an amount equal to that proportion of the capital cost which was attributable to the particular dwelling unit they chose. Prices ranged between L13,000 and L17,500 depending on size and location.

In return for the loan residents received non-assignable life leases; in the case of couples the lease was granted to both individuals to ensure that a surviving spouse had security of tenure. On termination of a tenant's residence in the scheme - either through death or a desire or need to move - his unit is "resold" by the Society for its market value to a qualified buyer. With the proceeds from this transaction the outgoing tenant or his estate is repaid his original loan plus a sum related to any appreciation on the property. As of January 1982 a two-bedroom unit was selling for L35,000. The success of the Ark, as the scheme is called, is demonstrated by a waiting list of fifty people. As a result the Society have begun building a second project, also in the

to the National Federation of Housing Associations. The aim of the society has always been to meet a special need, not normally satisfied either by Local Authorities' housing schemes nor by private landlords, of providing compact, convenient, retirement homes in attractive surroundings for those retired persons who find themselves burdened by an over-large house and garden, or whose state of health requires that they move into smaller homes.

centre of Devizes, which will consist of 15 two bedroom units.

Residents of the Ark pay no rent as such but have to meet their share of communal costs arising from building and garden maintenance and the operation of the central heating and hot water system. A contribution to a repair and replacement fund is also required. Taxes and electricity are paid directly by individual tenants.

The Ark consists of a mix of one and two-bedroom dwelling units designed for independent living. All but one of the units has ground level entry and all are provided with ample storage and cupboard space. The kitchens even has space for a washing machine.

The Ark is located in the centre of Devizes within easy walking distance of churches, shops, the post office, library, local museum and town hall. It is also close to the Crown Centre, a facility providing recreational and social services to older citizens. Because of the scheme's excellent location, no parking spaces or garages are provided for the residents. Those residents who wish to retain their cars must find garages elsewhere in town.

Like the scheme operated by the Active Elderly Association discussed above, the Ark is atypical of leasehold sheltered housing. Whereas the Active Elderly scheme provides a greater range of support services and amenities the Ark does not provide some of the basic components of conventional sheltered housing: a resident warden, an alarm system and a communal lounge. The Society's decision to develop retirement housing without these "sheltering" features was based on the preferences and characteristics of the people they identified as their market. Retired professional and self-employed people were felt to be more independent

and quite capable of maintaining their own social and support networks among friends and relatives. Therefore, the provision of a warden and lounge was seen as not only unnecessary but also making the scheme more difficult to market because of the additional costs involved.

2.1.1.3 Guardian Housing Association

The Guardian Housing Association is a subsidiary of Anchor Housing Association, the leading provider of rental sheltered housing with a stock of over 15,000 units around the country. Guardian was formed in 1972 to make sheltered housing available to elderly people who were willing and able to meet the whole or a substantial part of the cost from their own resources.

Guardian's first undertaking, a 17-unit scheme at Hereford, proved very successful. Residents received a life tenancy agreement on a flat in return for a loan of L9,000. However, Guardian encountered problems with subsequent developments: costly errors were made in design and they were caught without fixed price contracts at a time when building costs increased by over 30 per cent. Consequently, they had to obtain Government subsidies for four schemes then under construction so as to bring the price of the units down to market value. Since then development has been slower and more cautious. However, as of January 1982, Guardian was the largest provider of loan stock sheltered housing with eight schemes totalling 208 units.

As a result of rapidly increasing property values in the years following Guardian's establishment many elderly home owners who wanted to

live in sheltered accommodation were nonetheless unwilling to invest their assets in housing which offered them no prospect of capital gain. Therefore, Guardian changed their tenancy agreement so that when the tenant decided to leave or in the event of death, the whole of the loan plus a percentage of any increase in the market value is repaid to him or his estate.³

Current market prices of Guardian flats range from L16,000 to L25,000 depending on the location of the scheme and the size of the unit. Because Guardian is a national organization there has been an attempt to undertake development around the country although the majority of the schemes are in the south. Although the initial schemes have twice as many one-bedroom as two-bedroom units, experience has shown that there is a greater demand for two bedroom units. Many retired people want to sell their houses but are not willing to move into small one-bedroom units. Therefore, future schemes will be made up largely of two-bedroom flats.

³ Guardian's Agreement for Tenancy and Loan ALS/76/75/Rev. 78 spells out the agreement in legal detail:

"(a) The loan made by the Tenant(s) to Guardian on or before the date hereof shall be free of interest; (b) Following determination of the Tenancy in accordance with Clause (10) above and vacation of the flat, the amount to be repaid by Guardian of the loan made by the Tenant(s) shall be such sum as Guardian receives from a new Tenant or occupier of the flat which amount shall be paid to the Tenant(s) (or the Tenant's legal representatives) within two weeks of the receipt thereof from such new Tenant or occupier subject to the following deductions: (i) Such sums as may be due and owing to Guardian in respect of Service Charge for the flat until the date upon which such new tenant or occupier becomes liable therefore; (ii) Such sums as may be required to be expended by Guardian in fulfilling any outstanding obligations of the Tenant including putting the flat in good order and repair; (iii) Any fees or expenses incurred by Guardian in finding a new tenant or occupier; (iv) 50% of any excess received by Guardian from the new tenant or occupier above the amount of the original loan made by the Tenant(s)."

The design and management of Guardian's early schemes was based largely on their parent organization's (Anchor Housing Association) experience in providing conventional sheltered housing. However, over the last few years it became evident to Guardian officials that residents of loan stock schemes differ from tenants of the rental schemes. The people who are "purchasing" their flats are described as more independent, receiving greater support from family, preferring to socialize in their own homes and, quite naturally, very concerned about the cost of their accommodation. Consequently, Guardian have made some changes in their newer schemes. First, they no longer include a lounge although a fully equipped laundry, a guest suite and sitting out areas are still provided. And second, the full time warden has been replaced by a resident "secretary/caretaker". These secretaries are provided with a free flat and paid L1,000 a year (a warden is paid L5,000 a year). They are responsible for the smooth running of the building and for responding to emergency calls during the night. During the day, when the secretary is absent, the alarm system is designed to summon other tenants who can provide or call for appropriate assistance. This limited warden service represents a significant saving to the residents while providing them with a sufficient degree of security according to an Association official.

All residents pay a monthly service charge which includes upkeep and insurance on the building and equipment, the salary of the warden or resident secretary, maintenance of the grounds, the scheme's proportion of head office management costs and various other minor costs incurred by the Association. In some schemes the cost of central heating and hot water is included in the service charge. In others, supply is by individual flat

installation and charged directly to the tenant. Each resident is also responsible for property taxes on his unit.⁴

2.1.1.4 Retirement Homes Association

One of the most interesting developments in leasehold sheltered housing has been introduced by Retirement Homes Association, a joint venture of a large developer and a company in the geriatric nursing home business. Established five years ago, they currently operate two schemes and have several others in the planning stage, all in the south of England within fifty miles of London. The first development was completed over three years ago in Kent and has 151 units. The second, in Surrey, described as a "production model" has 60 units but when completed in a year will have a total of 220 units.

Retirement Homes Association has chosen for its market those aged sixty and over who want and can afford sheltered housing accommodation with more than the basic necessities. They produce "village style communities" for "supported independence in retirement" which are located in a rural setting near a small town or village with easy access to London. Accommodation is provided in return for an interest-free loan. An indiv-

⁴ The level of service charge varies from scheme to scheme and, of course, from one-bedroom to two-bedroom flats within each scheme. It is reviewed annually and audited accounts are produced. Costs currently (January 1982) range from £50 per month in those where heating charges are included, to an average of £35 per month where heating charges are paid direct by the tenant. Overall, tenant's monthly housing costs work out to be about £80.

idual aged sixty or over buys a "license of tenure"; the agreement runs for 99 years or the life of the tenant and is not assignable. The original capital sum is refunded without interest on termination of occupancy. The agreement also stipulates the payment of an annual service charge.

Each scheme or estate, which is designed to be totally self-contained, contains a wide range of amenities. Southdowns, in Kent, is 100 acres and includes an automobile workshop and metal and wood working rooms. For more relaxed pursuits, "away from the grease and sparks", there are rooms suitable for hobbies such as painting, sewing and needlework. The scheme also includes a church, medical centre, post office, sports field, gymnasium, mini-bus service, social club with licensed bar, general store, pharmacy, green house and garden plots.

A full range of medical and support services are available in the Retirement Home schemes; they enable residents to remain in their own home until they require hospital care. A nurse is on call 24 hours a day; a pressure mat in the hallway of each unit activates an electronic signal in the administrative office - if no signal is received by a certain time each day a check is made to see if all is well. Breakfast is delivered to the door each morning; an hour's cleaning is carried out every week (more can be purchased) and laundering of bed linen is provided once a week.

The housing itself consists of flats and detached, semi-detached and terraced bungalows with one or two-bedrooms. The units vary from 400 to 900 square feet of useable floor space. The current purchase price is between £27,000 and £37,000 and the annual service charge is £2,000.⁵ The service charge represents the tenant's share of the operating costs

plus an 8 per cent management fee. The tenants are also responsible for the cost of electricity, telephone, heating and water.

The idea of providing both recreational facilities for the active, healthy retiree and nursing and domiciliary services, in the event they are required, is a novel approach in Britain and it seems to have met with considerable success - there is a waiting list for the Kent estate and company officials have indicated they plan to develop another ten schemes in the next five years.⁶

2.1.2 Comments: Loan Stock Schemes

Some criticism has been directed at loan stock schemes because of alleged high profits they generate for their sponsors. This feeling has developed because the initial entry loan paid by the incoming resident is eroded on a yearly basis while the resale value of the lease is assumed to increase on a yearly basis. Operators point out that in an accounting sense the only real profit - if a profit is the objective - is that

⁵ A company official felt that the purchase price should represent less than 50% of a prospective tenant's asset value. It was decided to market the units to elderly home owners with property valued between £80,000 and £100,000. Even if the purchasers had no other assets, the income from an annuity purchased with their remaining capital would provide them with sufficient savings to cover the service charge and other living expenses.

⁶ The average age of Retirement Home Association's tenants is 72. Given the emphasis on recreational facilities, one would have expected that the "retirement village" concept would have attracted a younger age group. However, a company official did state that more people were "buying" when they retired and there was increasing pressure on them to reduce the minimum age to 55 in light of a national trend to early retirement.

obtained from the initial "sale". The fact that a lease (or tenancy agreement) might be resold on a second occasion at a level much higher than on the first, does not represent a profit because a liability to refund this lease, less deductions, still exists. Sponsors also face the problem of their liability concerning repayment of lease premiums if a person leaves or dies and the accommodation unit cannot be filled with an incoming resident.

In any case, inflation and rising property values have made conventional loan stock schemes unattractive to elderly home owners. However, the basic concept has been successfully modified in two ways by housing associations and private developers. One variant emphasizes services and amenities - such as those provided in the schemes of Active Elderly Association and Retirement Homes Association - thereby allowing the resident to trade-off a financial return on his housing investment for the benefit of these features. The other, adopted by Guardian and Retirement Lease Associations for their loan stock schemes, provides the purchaser with a share of the appreciation on his dwelling.

A third variant has been introduced recently by Rosemary Simmons Memorial Housing Association - the originators of loan stock sheltered housing about twenty years ago. Their latest scheme at New Malden in the London Borough of Kingston-upon-Thames will work this way. The occupant purchases a lease to a flat for a loan to cover a share of the capital cost. On death or surrender of the lease, the Association offers the flat on the open market for an amount equivalent to 90 per cent of the "best price reasonably attainable". Twenty per cent of the proceeds are retained by the Association for legal and administrative expenses and for

a contingency fund. The remaining proceeds are distributed equally among all the lessees of the remaining flats in the project. This happens each time a flat changes hands. Consequently, the outgoing occupant or his estate receives his original loan less the sum of the payments he received while a resident.

This approach has a number of advantages. First, it provides sheltered housing at 90 per cent of its market value. And second, it provides a means of converting a person's equity in their home into supplementary income while providing appropriate accommodation and secure tenure.

Overall, the future of loan stock appears good. Although other types of schemes have become more popular in the last few years, the loan stock approach still offers a flexibility that makes it particularly suitable for financing innovative forms of housing for the elderly.

2.2 SHELTERED HOUSING FOR SALE

The mechanism for selling sheltered housing to the elderly has been established in both the private and the public sectors by building developers on the one hand and by housing associations and local authorities on the other. They offer a person meeting certain criteria a long term lease, usually 99 years, or the freehold to a unit in a sheltered housing scheme. The lease or title contains covenants or restrictions related to such matters as the sale of the property. For example, the lease may not be fully assignable or a condition of purchase may be that the property can only be resold to the vendor.

The developments are financed in a number of ways. A private devel-

oper working alone or in partnership with a housing association would likely obtain working capital from a bank or other financial institution. A local authority, on the other hand, would use funds allocated by the Exchequer as part of its Housing Investment Program (HIP).

Prices for these sheltered housing units range from L19,000 to L57,000 depending on location and type of developer. The private sector has focussed mainly on the low and high ends of the market leaving the middle segment to the housing associations and local authorities. The leases are priced at market value; therefore purchasers, who obtain 100% equity in their units, must accept the risks as well as the benefits contingent upon future market conditions. Although no statistics are available, officials involved in the development of these schemes stated that the units had appreciated at the same rate or more rapidly than other types of housing.⁷ The type of accommodation provided in these follows conventional sheltered housing lines. The schemes contain from 20 to 50 one and two-bedroom flats and/or bungalows with a communal lounge, laundry room, guest room, emergency call system and a resident caretaker/warden.

⁷ Under current legislation local authorities are not permitted to sell their properties at less than the market value, or at less than cost if they are sold at a discount. Although their schemes are new (the first was completed in 1981) and there is not yet a definite government policy (January 1982) on pricing discounts and sales, purchasers are expected to benefit from appreciation when the units are sold.

2.2.1 Examples of Sheltered Housing for Sale

2.2.1.1 McCarthy and Stone (Developments) Ltd.

One private developer, McCarthy and Stone (Developments) Ltd. concentrates exclusively on leasehold schemes for the lower end of the market.⁸ To date they have completed a total of 17 projects with 900 units. Nine additional schemes are under development with plans for an annual production of 1,000 units. These units are sold on a 99 year lease with a ground rent. The lease is assignable but contains a number of covenants that are binding to the first and subsequent purchasers.⁹

A high level of standardization is apparent in all McCarthy and Stone's schemes and this gives credence to their claim of construction costs 30 per cent less than industry estimates. Each project contains a warden's flat, community room with kitchenette, a laundry room and a guest

⁸ The firm, which operates in the southwest of England, was originally in general construction when John McCarthy, the Managing Director, came across a government report encouraging private developers to produce sheltered accommodation for sale. After a year's research the firm's first project was completed in 1977 with units priced at £11,000. The demand was so great - over 500 enquiries were received for the 32 flats - that the company decided to specialize in this type of housing.

An increasing number of builders are beginning to cater to those more affluent retired people who want to buy or lease a property requiring little maintenance, with gardening done by someone else and where a warden is unobtrusively on hand in case of emergency. The Department of the Environment has estimated that, as of Dec. 1981, about a dozen private developers have completed approximately 16 sheltered housing projects for this market in the south of England, the traditional retirement area. Prices generally go from £45,000 to £70,000 with annual service charges up to £1,200.

room.¹⁰ Elevators are provided in all multiple story developments. The firm employs its own architects and operates as builder as well as devel- oper. Prefabricated components such as concrete staircases, fiberglass baths and wash basins are manufactured and used extensively. Marketing and sale of the flats are undertaken by an independent estate agent; how- ever, a management department within the company handles the day to day operation of the project, the employment of wardens, the preparation of the budget, the arrangement of maintenance and repair, the purchase of equipment and supplies and general administration.¹¹

As of January 1982, prices ranged from L18,400 to L28,500 depending on the scheme and size and location of the unit. In addition to the

⁹ The lease stipulates that:

(a) Every resident must be at least 60 years of age; (b) the management of the buildings is in the hands of McCarthy and Stone Ltd. which maintains the freehold; (c) each resident will contribute a proportion of the management expenses; (d) a parking area can be reserved for permit holders for a half yearly payment. McCarthy and Stone also require a guarantor for each purchaser who will be responsible should he or she become infirm and be unable to manage his own affairs.

¹⁰ McCarthy and Stone's pilot scheme consists of 29 one-bedroom flats and three bedsitting flats. The bedsitters proved unpopular and subsequent projects contained a mix of two sizes of one-bedroom flats: a single person unit with a total floor area of 420 square feet and a two-person unit with a floor area of 485 square feet. Pressure from a local planning authority has resulted in several two-bedroom units being included in a scheme now under construction. Projects completed range in size from 30 to 120 flats with an average of 52.

¹¹ McCarthy and Stone's original idea of having a housing association undertake long-term management responsibilities proved unfeasible. The associations were particularly concerned about the use of a standard assignable lease which McCarthy and Stone felt was necessary for successful marketing. The association believed a non-assignable lease was preferable because it allowed control over tenant selection thereby ensuring a "proper" social and age mix.

purchase price there is an annual ground rent and service charge. The ground rent is fixed at L149 a year for 25 years. The service charge covers such operating expenses as the warden's salary and benefits, property taxes on communal areas, insurance on the building, repairs and maintenance, provision for redecorating as well as a management fee. Operating costs can vary between schemes with the larger projects benefiting from certain economies of scale. For a one-person flat in the 33 unit scheme in Christchurch, Dorset which sold for L21,000 in 1981, the estimated expenses for 1981-82 are L809 or L67.42 per month.¹²

McCarthy and Stone surveyed the residents on their first five projects and their findings provide an interesting profile of leasehold sheltered housing dwellers. They found that 75 per cent were single or widowed women, 20 per cent married couples and 5 per cent widowers. The average age was 73 for women and 71 for men. Although the majority felt they were in "good health", 10 per cent stated that their health was poor. The great majority had been owner-occupiers; about 80 per cent had previously lived in a bungalow or house and in most cases had traded down; this left them with a surplus of approximately L10,000. Most had a prior connection to the area: 80 per cent had moved from within a radius of 20 miles; 16 per cent had come from outside the immediate area but had family connections in it; 4 per cent had no local connections.

In spite of the popularity of their development - according to sales agents the flats have appreciate at a faster rate than other residential

¹² A breakdown of the annual costs: ground rent L149, service charge L310, taxes L170, lighting and power L70, heating and hot water L110.

real estate in the area - McCarthy and Stone have encountered a reluctance on the part of local authorities "to accept that standards adopted for this type of accommodation in the public and voluntary sectors can equally apply to the private sector." The concern of the local authorities centres on the issues of density, car parking and age mix of the local population.

The local authorities favour the development of mixed flat sizes for people of all ages. The large number of small units in McCarthy and Stone's developments, as compared to the conventional numbers dictated by existing density and height restrictions, often comes as a shock to local planning committees. McCarthy and Stone answer that they have unequivocally established the need for sheltered housing in the private sector and have met this need by providing compact and reasonably priced flats with ancillary communal services.

In the matter of car parking there is a concern that private sheltered housing will encourage more car ownership and generate unacceptable levels of traffic movement. McCarthy and Stone contend that on average only one in fourteen of their lessees will own a car and that the standard for sheltered housing of one parking space to three flats is adequate. They argue, moreover, that their schemes generate only 25 percent of the traffic movement of traditional housing.

Finally, some local authorities fear that the production of sheltered housing for sale will attract too many retired people to their communities and thereby increase the imbalance in the age structure and the demand for social services - 30 percent of the population in some areas of the southwest is above retirement age. To parry this allegation

McCarthy and Stone produced figures indicating only 5 percent of lessees move into an area without having had any previous connection to it. Still, several local authorities have required an agreement stipulating that 75 percent of the flats to be built should be sold to local residents.

2.2.1.2 English Courtyard Association

This non-profit association has established a number of sheltered housing schemes which are especially noteworthy in terms of the architectural and design features which have been incorporated into their plans.¹³ They offer a 150 year assignable lease which can be resold on the open market. (The 150 year term was chosen because a lease starts to lose value as it nears the end of its term.) A condition of sales is that the occupier (though not necessarily the owner) has to be a person over the age of 55. This means that while a company or a family can buy a Courtyard property for a pensioner or relation, the character of the development as a whole cannot be affected by younger residents moving in.

English Courtyard Association aims its marketing strategy at the middle-income, retired professional - those who have "enough money potentially available (e.g. through the sale of a now-too-large family

¹³ The English Courtyard Association (ECA) was the idea of Noel Suttleworth who, in the 1970's, faced the problem of finding a home for his widowed mother. In 1975, Suttleworth, architect Paul Gibson and estate agent Paul Greenwood, formed a management, marketing and design team. Soon after this they reached an agreement with a private development company to finance and develop schemes for their newly formed housing association.

house) to offer a choice of where and how to live".¹⁴ Their promotional literature includes doctors, clergymen and a retired M.P. among their satisfied residents. They estimate that if a person owns a £70,000 house and invests the remainder after purchasing the lease, he will probably have sufficient income to maintain himself. They also allow that a pension income of £4,000 to £5,000 would be adequate for normal living expenses.

The schemes are financed, built and sold by a private development company, Geometer Developments Ltd., for the ECA. The freehold is then turned over to the Association and they take on the long term management responsibility. Because of its small size (at present three schemes with a total of 83 units) the Association contracts out the day to day management to Retirement Lease Association, another housing association, at a cost of £140 per unit a year.

The first development, Manor Court, is on the site of a farmyard some three minutes walk from the centre of Pewsey, a village in Wiltshire.¹⁵ It is described as "like a domestic version of an Oxford college quadrangle put down in a quiet, pleasant village". The developer has consciously chosen the quadrangle for all English Courtyard schemes because it symbolises "a community with common interest, interdependent

¹⁴ English Courtyard Association, Courting a Dignified Retirement, no date, no place of publication, p.1. The author continues, "People with such resources tend to fall outside the scope of accommodation offered by local authorities, housing associations or charitable trusts. But their needs are none the less real, and they now have the advantage of a housebuilding organization devoted specifically to creating homes tailor-made to the kind of lifestyle they want to be free to enjoy".

¹⁵ See Darley, G. Architects Journal; pp. 40-42.

but composed of individuals leading their own private lives". "It also expresses security and tranquility, allowing people to live close together but without any sense of overcrowding". Local architectural characteristics such as clay tiled roofs and stone window and door frames are also featured to enhance the "traditional atmosphere".¹⁶

Completed in 1979, Manor Court comprises 20 two-storey "cottages" and five flats. Units that originally sold for L37,000 are now fetching L52,000 when put up for sale. In addition to the purchase price, owners pay an annual service charge, their own taxes "rates" are in the L350 a year range), and cost of light, heat and hot water (approximately L300 a year).

Each "cottage" or house is designed to be easily converted into two self-contained studio apartments. This allows for a relative or nurse to live on the premises to look after an infirm occupant. Also, stairlifts can be readily installed to ease access to the upper floor. Other features include wide doorways for wheelchairs, handgrips in the bathroom as well as a sophisticated alarm system. Although a warden is provided in all ECA developments there are few communal facilities. The developer felt that the benefits could not justify the extra costs involved and, given the large size of the units (up to 1200 square feet), there was no need for such facilities.

Manor Court has set the pattern for subsequent ECA schemes at Upton-on-Severn, Worcestershire, and Wadhurst in Sussex. Each, like

¹⁶ English Courtyard Association, op.cit. p. 2.

Manor Court, consists of a mix of two-bedroom flats and two storey two-bedroom row houses located in a country setting but within 500 yards of the centre of a village. Other schemes are being planned in Dorset and Berkshire.

2.2.1.3 South Ribble Borough Council

The first sheltered housing scheme built by a local authority for sale was completed early in 1981 in South Ribble near Manchester in northwest England. The scheme consists of 22 one-bedroom and 10 two-bedroom bungalows of approximately 450 square feet. Facilities in the scheme include a large lounge, a smaller t.v. room and a large, fully equipped kitchen. A community centre is situated in a central position, with the warden's accommodation adjoining it. The site is within easy walking distance of shops, pubs and other community amenities and is adjacent to the site of a proposed health centre.

In contrast to the more common leasehold arrangement, the freeholds to the properties were sold to the occupants at the South Ribble project. To ensure that the properties remain in the hands of the elderly, a condition of purchase was that before any subsequent sale could take place within the next 21 years the local authority would have the right to repurchase.¹⁷ Purchasers were given a choice on the

¹⁷ The local authority gives priority to applicants who would qualify to be on the South Ribble Council's waiting list. This would include elderly residents, pensioners whose only family resides in the South Ribble area, and former residents. However, purchasers must be over 60 and be the occupiers of the property.

price: they could either pay the cost price or the higher market price. However, their choice affected the future sale of the property. If they purchase at market value, the local authority has the right, within the 21 year period to repurchase at the current market value. If, however, purchasers pay the cost price, the local authority could repurchase at that price during a specified time period.¹⁸

The bungalows sold for between L15,000 and L17,300. Purchasers are responsible for a service charge, estimated at L78 for the first year, to cover their share of the cost of the warden service, the provision of the community centre and the maintenance of the communal areas. The service charge is modest because Lancashire County Council, which is responsible for social services in the area, is providing a grant to the Borough Council towards the running cost of the scheme. Purchasers are also responsible for payment of general and water rates, for their own gas and electricity accounts as well as for the maintenance of their own dwellings.

2.2.2 Comments: Sheltered Housing for Sale

The role of the private sector in providing sheltered housing for sale is likely to increase in the future. Although private developers

¹⁸ The precise length of that period depends on the magnitude of the percentage difference between the cost (increased by the amount of any subsequent expenditure on improvements) and the market value at the date of purchase; it is unlikely to extend beyond some eight years in most cases.

allowed housing associations to take the lead in developing leasehold sheltered housing they have now identified particular markets among the elderly and are building with the needs and preferences of these groups in mind. McCarthy and Stone, for example, have concentrated exclusively on the low end of the market whereas other smaller firms have focused on luxury schemes. Also, the Conservative Government has encouraged the private sector to provide housing for the elderly. According to a McCarthy and Stone spokesman, "There has been much Government interest in the building of sheltered homes ever since they challenged the building industry to take up the gauntlet on behalf of the private sector".¹⁹ This interest and support is likely to continue.

Although English Courtyard Association is an example of a housing association providing sheltered units for sale one can only speculate on the future role of the voluntary sector in this type of leasehold sheltered housing. While there are advantages to combining the skills of a private developer with the non-profit management philosophy of a housing association two factors may limit this approach - at least among existing associations. First, although housing associations are becoming more aware of a responsibility to provide appropriate housing to the more "affluent" elderly the idea of building "luxury" accommodation is likely to be resisted. And second, many associations still have a paternalistic attitude toward their "clients" and consequently may find a loan stock or LSE arrangement more acceptable because it provides for greater control

¹⁹ "Minister of Housing Visits Exeter Site", Home Life, No. 1 (December, 1981), p. 4.

of the scheme. However, the success of ECA could well give rise to other associations specializing in sheltered housing for sale.

The development of sheltered housing for sale by local authorities is also expected to increase. The Government is encouraging local councils to implement their policy of promoting home ownership. John Stanley, the Minister of Housing, at the official opening of South Ribble's scheme in February, 1981, stated that he was "delighted to open what is I believe a trail blazing scheme of national significance.... I am sure that an increasing number of local councils will do what South Ribble and Lancashire County Council have done here".

2.3 SHARED OWNERSHIP (LSE) SCHEMES

2.3.1 Objectives and History of the LSE Program

The LSE program is a government sponsored and subsidized attempt to provide an appropriate and affordable housing alternative for elderly owner-occupiers. Many older homeowners who can benefit from sheltered accommodation cannot afford to obtain it on the private market or through participation in a housing association's loan stock scheme. These individuals are also frequently prevented from living in rental sheltered housing provided by the local authority or a housing association because they are considered to be adequately housed and reasonably well off.

In reality many elderly individuals whose properties are of modest capital worth are experiencing very serious problems. As the Principle

Executive Officer of the National Federation of Housing Associations has stated:

How can an elderly owner-occupier be deemed 'well off' when the character of the neighbourhood has changed and they no longer have friends next door to help; when there is no money to pay for the modest improvements which would make life easier nor the urgent major repairs; when the garden becomes a burden instead of a joy; when stairs become an obstacle in everyday living and a barrier to going out and about.²⁰

It has been estimated that of 160,000 elderly owner-occupiers in Britain who could benefit from sheltered housing, about 100,000 could afford to buy a lease in a LSE scheme.²¹

The LSE program is the product of a government housing policy formulated in the mid 1970s that encourages low cost home ownership through the creation of "intermediate" forms of tenure or "shared ownership" schemes by having associations or other non-profit organizations.²² This approach which involves government grants and subsidies was seen as providing some of the advantages of ownership and tenancy and acting both as a stepping stone to full home ownership and as a permanent form of tenure.

Although shared ownership was primarily designed to get young people into first time home ownership some people in the voluntary housing

²⁰ Clark, "Leasehold Schemes for the Elderly - Achievement and Potential", p. 9.

²¹ Ibid. p. 11.

²² Other terms have also been used to describe these new forms of tenure which combine public and private funding: for example, co-ownership, equity-sharing, shared equity and community leasehold.

movement saw that it had a role at the other end - that of getting elderly people out of homes which were no longer appropriate to their needs. Representatives from Guardian, Retirement Lease and a few other housing associations who had pioneered loan stock schemes joined with officers of the NFHA to form a working committee to promote this idea. The committee met with Housing Corporation and Department of the Environment Officials to argue that, on the basis of their experience, a 30 per cent grant toward capital costs would make leasehold sheltered housing accessible to the "next layer" of elderly home owner - i.e. those who could not afford to cover the entire cost of the units but for whom the provision of rental sheltered accommodation would present too great a burden on public funds. Such a commitment by the government, they stressed, would improve the life of many elderly people, ensure that private investment would be retained in housing and increase the nation's housing stock at little cost to the public.

As a result of these persuasive arguments and lobbying by the NFHA the government included a sheltered housing component - the LSE program - as part of their larger pilot program of shared ownership schemes. This was introduced by the Housing Corporation in the spring of 1977.²³

²³ The pilot program of 1977 had two components in addition to LSE:
(a) Co-ownership - where the participant is a member of a co-ownership association which owns a block of flats or an estate of houses. The member rents his own home under a monthly tenancy agreement from the co-ownership association at an intermediate rent. When he leaves he is entitled to a premium payment dependent upon the market value of the property and the amount of rent he has paid during his tenancy.

The co-ownership finances a scheme by taking a 50% block mortgage from a building society secured on the property as a whole. An additional loan from the Housing Corporation or the local authority provides 12 1/2%. The remaining 37 1/2% is met by HAG.

However, a number of problems followed. First legal difficulties became apparent in 1978 and brought the program to a halt with only seven projects approved. The hiatus lasted until 1980 when a new Housing Act made the necessary legislative amendments. Then development was held back by a government spending freeze which lasted from September 1980 until April 1981. It was not until the spring of 1981 that the Housing Corporation included a separate L3 million allocation for LSE in their 1981/2 budget. This was done without any formal evaluation as only a couple of pilot program schemes had been completed.

2.3.2 The Program

The LSE program is administered by the Housing Corporation for the benefit of housing associations that wish to develop leasehold sheltered housing schemes. Its primary feature is a subsidy by the central government to the participating associations. This subsidy, in the form of Housing Association Grant, is usually for 30 per cent of the development costs of an approved project. In return for this grant the association sells long term leases for 70 per cent of the cost (or, for subsequent sales, the current market value) of the units. The purchasers, in fact, "share ownership" with the housing association:

(b) Community leasehold - where the participant buys his home on a long lease and obtains a building society mortgage to finance the purchase. He buys the lease at 50% of its value and, when he wishes to move, can sell it at 50% of the prevailing market value at that date. Subsidy is provided at 40% and a ground rent is payable on the loan charges of the remaining 10%.

they obtain a 70 per cent equity interest while the freehold and 30 per cent equity is retained by the association.

A housing association undertaking a LSE scheme first assumes the role of a speculative developer and then when the units are leased, takes on a management role. Initially they must research their market, locate a site, draw up plans, gain necessary approval from the local authority and the Housing Corporation, purchase the site, proceed with tendering and contracting and then market the scheme. Up until this year they were also responsible for obtaining interim financing from their bankers or other financial institutions. Now, it is Housing Corporation policy that all financing will be provided by the Corporation.

Gaining approval for an LSE scheme has been relatively simple. The government have adopted an extremely flexible attitude. In fact, one official described the program as being "horribly ad hoc". There are no formal program criteria - only broad guidelines: (1) Housing associations must demonstrate that the subsidy will ensure that the "right sort" of people will benefit, i.e. those elderly homeowners who could not otherwise purchase accommodation with the proceeds from the sale of their homes. (2) Housing associations must provide evidence of demand and the nature of the demand for either a geographic area or a target group. (3) There must be no rental accommodation within the scheme. (4) The service component must be run at cost and should be comparable to sheltering costs in rental schemes. (5) A new 60 year lease must be sold every time a unit changes hands.

Although the program provides considerable flexibility for the housing associations the legal and financial arrangements involving the

purchasers have been clearly spelled out. With respect to the lease, a sixty-year term is stipulated in order to ensure that trust funds could be used to purchase a unit. There is also a requirement that a new lease be sold on termination of an existing lease. This is to protect the interests of future leaseholders who could face an erosion of their investments because the value of a lease declines towards the end of its term. And, the lease may only be assigned after the leaseholder's death; but only to a surviving spouse, relative or friend who was living on the property at the time. If the lease is not assigned, it reverts to the housing association. Leaseholders may also leave the scheme; when they do, the lease reverts to the association. In this way the association is able to maintain the purpose of the original government grant by giving all future leaseholders the benefit of purchasing a unit at less than market value. In addition it allows the association to exercise a stronger management function than would be the case if the lease was fully assignable.

When a lease reverts to the association the departing leaseholder (or his estate) is entitled to receive a capital sum equal to 70 percent of the market value of the property. In this situation an independent valuer is retained to determine the current market value. (An arbitration process has been established to resolve any disagreements on this matter.) Once agreement is reached the association is responsible for selling a new lease on the unit. Only on receipt of the sum paid by the incoming leaseholder is the association liable for the capital repayment to the outgoing leaseholder.²⁴

For example, if the original cost of a unit is L25,000, the first sale of the lease will be 70 percent of L25,000 - that is L17,500. (A HAG equal to L7,500 a unit will cover the remaining cost.) When the lease reverts to the association on the death or departure of the first leaseholder, the independent valuer may determine the property's market value to be L30,000. The leaseholder or his estate will therefore be entitled to receive 70 percent of this sum or L21,000 - a capital appreciation of L3,500. A new lease on the unit will then be sold for L21,000. This procedure is followed in all subsequent cases where the lease reverts to the association.

For various reasons, such as changes in interest rates or cost overruns, the cost of a unit may be greater than its market value. If this is so, the capital of early leaseholders is protected by providing that, until the market value at the time of reversion exceeds the cost value, the amount paid to an outgoing leaseholder is the same as the original investment. However, once market value at the time of reversion exceeds costs, each succeeding leaseholder takes the risk of market forces just as if the property were purchased on the open market.

The standard lease drawn up for LSE schemes also specifies various obligations and responsibilities for the leaseholder and the housing association which holds the freehold to the property. For example,

24 There are, however, certain deductions applicable to the amount repaid: any arrears of service charge; the cost (if any) of putting the property into proper repair; costs and expenses in connection with surrender; and 2 1/2% of the sum to be repaid to cover the associations incidental expenses.

although the housing association is responsible for normal management duties the residents must pay a service charge which includes the warden's salary, fire insurance premiums, taxes and upkeep of the grounds and common areas, lighting and heating costs of the common areas, maintenance of the elevator, contributions to a contingency fund for major repairs and replacements and the management costs of the association.

Guardian Housing Association has been allowed to modify its LSE lease to allow for a deduction of 1 or 1 1/2 percent of the purchase price for each year of occupancy when the lease is terminated. These deductions will go to a sinking fund to cover any major repairs thereby reducing the burden of the monthly service charge to the leaseholder.

2.3.3 Examples of LSE Schemes

2.3.3.1 Bexley London Borough: Leegate Housing Society/Moat Housing Society

Three LSE schemes approved under the pilot program are nearing completion in the London Borough of Bexley. The development of these schemes demonstrates a high level of cooperation between a local authority and two housing associations in providing needed sheltered accommodation for the Borough's older homeowners.

In 1978 the Directorate of Housing and Personal Services for Bexley issued a discussion paper entitled "Sheltered Accommodation for Sale". The document, subsequently adopted by the Council, underscored the need

for leasehold sheltered housing and argued that the best way to proceed was to enter into a partnership with one or more housing associations. The housing association(s) would undertake the proposed leasehold schemes as part of the newly announced LSE pilot program. In this way the projects would receive subsidies from the government, thus bringing down the cost of the flats and making them affordable to a greater number of local people at no cost to the Borough.

The Council ultimately reached an agreement with two housing associations, the National Federation of Housing Associations and the Housing Corporation to undertake three LSE schemes in the Borough. Leegate Housing Society, a subsidiary of Hyde and South Bank Housing Association embarked on two projects and Moat Housing Society began work on the other. Because of delays in program implementation these projects were not expected to be completed before the spring and summer of 1982.

The reasons why Bexley felt they had to take the initiative in developing leasehold sheltered housing schemes were outlined in the discussion paper. The author pointed out that many older residents were under occupying their homes, and, at the same time did not have the physical capability to maintain them by virtue of their frailty. For many of these people sheltered accomodation was seen as more appropriate to their needs. But such accomodation was virtually unobtainable on the private market and the Borough's supply of rental sheltered housing could not meet the demand.²⁵

²⁵ The Council felt that the housing problem was compounded by a lack of choice. The only way to obtain sheltered housing was to become either a Council tenant in one of Bexley's 20 sheltered schemes (a total of 532

By ensuring that leasehold sheltered housing was built the Council felt that the accommodation needs of a section of the community would be met and at the same time large under occupied houses would be released on to the market for family use. In addition, it was hoped that this policy would prevent the deterioration of the housing stock in the Borough.

Although the development of the three schemes has been the responsibility of the two housing associations the Borough has maintained an ongoing role. The three sites were selected from Council owned land and sold to the associations. The Council provided the interim financing for the schemes. And the Council has undertaken the marketing of the schemes. This involvement, however, has created some problems. Land costs were an issue: one association official felt that the price they had to pay was "grossly inflated". A dispute also arose over nomination rights. The Borough wanted to have complete control over who the units were sold to. This was opposed by the associations who believed their ability to manage the schemes would be impaired by such an arrangement. A compromise was eventually reached whereby the Borough can nominate three times the number of people that can be accommodated leaving the

units) or a tenant of a housing association. However, there is a waiting list for all Council Housing and applications are dealt with principally on the basis of assessed housing need. This presents certain problems. If an individual is a home owner and his house is not lacking in amenities such as a bath and a hot water supply, it is extremely unlikely that he would be admitted to the Council's own sheltered accommodation, even though this might be the most suitable form of housing to meet his needs.

An examination of the Council Housing Waiting List in 1978 showed that of 461 applications from elderly persons, 182 were from owner-occupiers.

associations with the final sales decision.²⁶

Because Bexley is a long narrow borough, sites were chosen in the northern, central and southern parts to give purchasers an opportunity to live in or close to their old neighbourhoods. Although the Borough can be described as a lower middle class area where over 70 per cent of the dwellings are owner occupied there is considerable diversity. The site at Erith, in the northern part, is in an industrial/working class area where 19th century terraced housing and Council estates predominate. Of the three sites this one was seen as the most problematical from a marketing standpoint, in spite of the fact that it is physically the most attractive. Consequently, Leegate only agreed to go ahead with development on the understanding that if problems were encountered they could operate it as a rental scheme. In contrast, the site at Sidcup, in the north end of the Borough, was judged the most desirable in early marketing surveys. Although the site is behind a fire hall the neighbourhood is decidedly middle class and this no doubt explains its popularity to potential purchasers.

The scheme at Welling, near the geographic centre of the Borough, is perhaps the most representative. It is on a site which was formerly occupied by a convent and has good access to shops and public transportation. Like the other two schemes, this one is of conventional

²⁶ The issue of nomination rights points out the influence of partisan politics on this whole venture. Bexley Council is controlled by Conservatives. Labour's housing policy calls for an expansion of Council rental accommodation. An election was to be held in the spring of 1982.

sheltered housing design. Planned by Leegate, the development comprises 14 one-bedroom flats and 16 two-bedroom flats set out as a series of small individual blocks of 4 to 6 flats grouped around an open court yard. Each flat has an alarm system linked to the warden's accomodation.

Although there are communal garden areas the scheme (along with the one at Sidcup) does not have a common room. Housing association planners felt that the extra cost could not be justified given the problem of marketing the units in an area where housing prices were in the L32,000 to L34,000 range. The flats, however, are fully self-contained. Each has gas central heating and individual gas and electricity supplies. Kitchens have space for washing machines and other appliances and each unit is provided with a store room.

The flats have been priced from L22,950 for a one-bedroom unit to L27,950 for a two-bedroom unit.²⁷ The legal and financial conditions of sale are based on the standard LSE program formulations: a purchaser obtains a long term lease in return for a premium representing 70 percent of the unit's cost. The service charge for each resident is estimated at L40 per month. Taxes are in the region of L250 - 350 per annum. There is no ground rent since the association is a non-profit making organization. The selling price and government grant account for all capital costs.

To qualify for the purchase of a lease an applicant must be of

²⁷ Prices at the Erith scheme range from L21,575 to L26,575 and those at Sidcup range from L20,000 to L23,000. These prices represent 70 per cent of each unit's total development cost which, in this case, was also determined to be their market value.

retirement age - sixty years for a woman and sixty-five for a man - not in full-time employment, a resident of the Borough and an owner-occupier.

2.3.4 Comments: Shared Ownership (LSE) Schemes

The LSE program is still very new; as of January 1982 several projects approved in 1978 as part of the pilot program were not yet completed. In many respects the program is still in an evolutionary phase. The Housing Corporation and the Department of the Environment have recognized the need to be flexible and are working with the NFHA to refine program guidelines and resolve problems. Yet even at this stage a NFHA officer has stated that "There is a sense of achievement in demonstrating that the injection of grant aid has brought sheltered housing within the reach of those whose properties are of modest capital worth." In her view, "all the principles laid down have been tested in practice and we can report that they have been shown to be sound".²⁸

In spite of generally positive comments (no formal evaluation of the program has been undertaken) by government officials, housing association representatives and the public, the program has experienced difficulties. Initial implementation was held up because there was doubt whether, under existing legislation, HAG could be paid to associations on shared ownership schemes. Although this was cleared up in the 1980 Housing Act another legal question remains to be settled. The Charity Commissioner,

²⁸ Clark, "Leasehold Schemes for the Elderly - Achievement and Potential", p. 9.

a body which oversees the activities of registered charities in England, has ruled that provision of leasehold schemes for the elderly is not a charitable pursuit. This judgement will soon be challenged in court by the NFHA who contend that because the objective of these schemes is "relief of the aged" their provision ought to be an acceptable charitable pursuit. In the meantime housing associations that wish to undertake leasehold schemes must establish new associations which have non-charitable rules.

Perhaps the most problematic aspects of the program relate to development cost. One of the fundamentals of the LSE program is to build at a cost which equates as near as possible to market value. If development cost equals market value the program works smoothly: all costs are met by sale of leases and HAG; the leaseholders obtain a 70 per cent equity in their units based on its market value; and the housing association maintains the freehold and a 30 per cent equity interest. Under these circumstances subsequent sales of units would be at 70 per cent of their current market value thereby not only allowing the leaseholders to profit from any appreciation on the property but also giving new buyer the full benefit of the subsidy. If cost exceeds market value the subsidy would not have its full affect of making the accomodation affordable to owner-occupiers of more modest properties. In addition, any purchaser would face selling at a loss until the value of his unit increased enough to offset the initial discrepancy between cost and value.²⁹

²⁹ As mentioned above, the program does allow for the protection of early lessees by guaranteeing them repayment of their initial investment.

Central to the cost = value requirement is the question of valuation. During the formative stages of the LSE program the problem of placing a value on a leasehold scheme unit generated much debate among evaluation professionals, government officials and housing association representatives. Three points of view were presented:

- (1) Value would be higher than conventional flats on the private market.

Although it is something not available (at least not widely available) on the open market people recognize that a flat in a sheltered scheme does have a premium attached to it.

- (2) Value would be lower than conventional flats on the private market.

The annual service charge for the common facilities and services actually lowers the value of a flat as it represents a recurring expense.

- (3) Value would be comparable to conventional flats on the private market. There is no way for the market to put a value on a leasehold sheltered housing unit; particularly when this type of accommodation is unknown in an area.

The first view was adopted by the NFHA and the government as a reasonable and necessary assumption in order to proceed with the program. However, several housing association officials suggested that the market has been slow to assign an added value to this type of housing. They maintain that units must be marketed on the basis that their value is equivalent to a private sector flat.³⁰ However, they concede that after this type of accommodation becomes known in an area a premium is likely to be attached to it although the exact value of the premium is

still a subject of debate.

Partly as a result of inexperience in speculative development, several housing associations have encountered difficulty in meeting the cost = value objective. In response to this problem, the Housing Corporation has adopted a very flexible approach to funding. According to the manager of the Programme Division, the Corporation is "prepared to go up to a 20 percent overrun; but at the point of approving a scheme we expect to see that it can be built for not more than 110 percent of what its value would be".³¹

A number of other issues have also been the subject of discussion between the NFHA and the government. These include:

- (1) The proportion of cost covered by grant. Several housing associations have advocated an increase in subsidy to cover 50 percent of project costs so as to enable owner of less valuable homes to purchase units in LSE schemes. Others have suggested a flexible subsidy ranging from 5 to 50 percent, depending on the merits of the specific project. Their argument is that the fixed 30 percent grant

30. A Guardian Housing Association spokesman stated that in their initial experience there is no premium for leasehold sheltered housing. They prefer to say to prospective buyer that "its comparable to a flat in the private sector - a private sector flat will be a little larger than ours but we have more facilities".

31. Ken Bartlett, personal communication.

only encourages "bad, uneconomic development". Recently the government has revised the program to allow leaseholders' equity to range between 20 and 30 percent.

- (2) The maximum allowable per unit cost. Although there are currently no formal limits on the amount of subsidy it has not been resolved whether LSE development should be encouraged in inner city and other more expensive areas where unit cost can range upwards of L40,000.
- (3) The approval process. Until recently each scheme required approval from both the Housing Corporation and the Department of the Environment (DOE). Now only assessment and approval by the technical and administrative staff of the Corporation is required.

The predominant impression one gets on speaking with housing association and government representatives is that the program, although still in a developmental stage, has a significant potential for expansion. In fact, 630 units were approved in the fiscal year 1981/82 and more than 1000 units are expected to be approved in 1982/83 although funds allocated for LSE subsidy remain at L3M (a drop of more than 10 per cent in real terms from the previous year) and only L.4M of subsidy was taken up in 81/82.³² These anomalies are explained by the long

³² The 1982/83 Housing Corporation development program for England allocated the following funds (LM):

Fair Rent and Hostels		488
New Forms of Tenure		52
Improvement for Sale (IFS)	24	
Shared Ownership (LSE)	3	
Shared Ownership	25	
Other		16
		<u>556</u>

This represents a 73% increase in funding for 'New Forms of Tenure' over last year's budget.

lead times between scheme approval and completion (when the subsidy is paid) and by changes in funding procedures.

Beginning in 1982/83 all LSE schemes must get interim financing from the Housing Corporation. (Previously housing associations could obtain interim financing from private financial institutions at the prime rate plus 1 or 1 1/2 per cent with Housing Corporation guarantees.) As a result, expenditures (loans and grants) for 82/83 are estimated to be L13M; L3M as a result of schemes approved in 81/82 and L10M (allocated out of receipts) as a result of schemes approved in 82/83. Overall, approval for schemes costing L29.9M are expected in the fiscal year 1982/83.

2.4 EQUITY-SHARING SCHEMES

The development of equity-sharing sheltered housing has been one response of a number of local authorities to the government's call for intermediate form of tenure in the public as well as the voluntary sector. This approach allows an elderly person to purchase a long-term lease to a unit in a sheltered housing project for an amount which is set at some proportion of the unit's value. For example, the person may purchase a 40, 50, 60, or even a 100 per cent equity interest. In addition to his initial capital investment he must pay a rent which is pro-rated on the proportion of the equity the local authority retains. The lease itself is not assignable. However, it stipulates that the authority will buy back the leaseholder's interest in the property at a

price based on its current market value.

Equity-sharing sheltered housing schemes are financed through the authority's Housing Investment Program - the system by which Exchanger funds are allocated to local authorities. Although no schemes have been completed as of December, 1981 the few which were under construction at that time were of conventional sheltered housing design: one and two-bedroom self-contained flats and bungalows, a resident warden, an alarm system and communal facilities. The cost of the units will depend largely on the amount of equity the purchaser wishes to obtain. There is, in addition to the initial investment, a monthly council rent, a nominal ground rent and a service charge.

2.4.1 An Example of an Equity-Sharing Scheme

2.4.1.1 The London Borough of Enfield

Located in northeast London, the borough of Enfield has a high proportion of elderly owner-occupiers. Many of them are no longer able to maintain their properties either financially or physically. With little appropriate private rental housing in the area, council housing is the major alternative. However, there is a long waiting list for rental sheltered accommodation and homeowners are assigned a low priority because of their capital assets. Consequently, in 1978, the Enfield Council decided to develop an equity-sharing sheltered housing scheme to meet the needs of these people and release family housing onto the market.

The estate, to be completed by the spring of 1982, is called

Chaddlewood and consists of 91 dwelling units on a site less than a block from Cockfosters Underground Station (the northern terminus of the Picadilly Line) and 50 meters from shops. It is designed to provide rental sheltered housing for the elderly, rental accomodation for the disabled, and shared equity-sheltered housing.³³

Flats in the equity-sharing component of the estate are being offered for sale on a 99 year lease at a price based on current market value. Purchasers can either buy a 100 percent interest in the lease of a flat or they can pay 40, 50, or 60 per cent of the market value and acquire an equivalent share of the equity with the Council retaining the remainder. Under the second arrangement the purchaser has the right to buy the remaining portion of the equity any time in the future. However, the price will be based on its current market value. On termination, the lease is sold back to the Council at the prevailing market value; this value is assessed by the Borough Valuator. The lessee would receive the original capital investment plus the appropriate proportion of the appreciated value.

Development costs are expected to be L30,000 for a one-bedroom unit and L38,000 for a two-bedroom unit. In the opinion of the Borough Valuator these will be equal to the market values when the scheme is

³³ There are seven buildings in the state. The largest or "sheltered block" is a large house which has been renovated and expanded to make 29 bedsitting flats for rent and a warden's two-bedroom unit. The six other buildings are two-storey newly constructed blocks arranged around a courtyard. Four blocks contain a total of 36 one-bedroom and 6 two-bedroom flats for sale on an equity-sharing or 100% equity basis. One block of 2 one-bedroom and 2 two-bedroom flats is rental sheltered housing. One block with 6 one-bedroom and 6 two-bedroom flats is rental housing for the disabled.

completed in March 1982.³⁴ In addition to the cost of the lease, buyers will have to pay rent. For those purchasing 100 percent equity there is a ground rent.³⁵ Those who purchase only a portion of the equity will pay a portion of this ground rent and a portion of the normal Council rent. For example, someone with a 40 percent interest would pay 40 percent of the ground rent and 60 percent of the Council rent. (In late 1981, the "fair rent" levied for a one-bedroom Council flat was L1,250 a year). A service charge is to be apportioned to each flat to cover normal operating costs. This includes the cost of a resident warden who will be responsible for the day-to-day running of the estate and will be available 24 hours a day to answer emergency calls and bring in appropriate medical and social services if necessary. Taking all these expenses into account the total housing cost for a leaseholder with a 40 per cent equity in a one-bedroom unit is estimated at about L1,474 a year.³⁶

³⁴ Under existing legislation a local authority cannot sell new properties at less than market value or at less than cost if sold at a discount.

³⁵ For a one-bedroom flat the ground rent has been set at L30 per annum for the first 33 years, L60 for the next 33 years and L120 for the last 33 years.

³⁶ Provisional monthly costs for one bedroom flat in Chaddlewood, London Borough of Enfield, January, 1982

Percentage bought/rented	Rent	Service charge	Rates etc.	Total
40/60	68.47	19.83	34.56	122.86
50/50	57.48	24.79	34.56	116.83
60/40	46.48	29.75	34.56	110.79
100/0	2.50	49.59	34.56	86.65

The initial marketing experience of the Chaddlewood project has revealed a number of facts which provide a kind of preliminary social-economic profile of the area and the purchasers. First of all, house prices are in the high £40,000 range; therefore, many prospective buyers are in a position to purchase 100 per cent equity and thereby free up additional capital to increase their incomes. Council policy has been to give preference to those who can buy the units outright. However, initial interest suggests that between 25 per cent and 50 per cent of the units will be purchased on an equity sharing basis.

Although a minimum age of 60 has been set, many potential purchasers are in their 80's. Overall, two groups of people seem to be represented on the waiting list: those who already cannot cope in their homes and have a high medical priority for Council sheltered housing, and those looking ahead to the time when they may need the security of sheltered housing.³⁷

2.4.2 Comments: Equity-Sharing Schemes

Equity-sharing schemes are the newest of the four types of leasehold sheltered housing. As of January 1982, no schemes had been completed although several, such as Enfield's, were in the final stages of

³⁷ The other facts which have emerged are: (1) Some potential buyers have commented about the lack of higher quality fixtures. (2) People have expressed concern about the service charge. Although costs are probably average for this type of accommodation, many elderly home owners have no experience with a monthly breakdown of costs. (3) There appears to be equal preference for first floor and ground floor units. For some people the difficulty in climbing one flight of stairs appears to be offset by the added security of a first floor location.

construction. In spite of this fact the Department of the Environment had not yet granted its consent to the sale of these units. According to one official, the Department expects many more local councils to develop equity sharing sheltered housing schemes and was therefore reviewing its policy to insure that there would be uniformity in the terms of sale.

It is obviously too soon to know how successful these schemes will be. Like the other types of leasehold sheltered housing they have certain advantages and disadvantages which will have to be weighed carefully by prospective purchasers. On the positive side equity-sharing schemes allow elderly people whose capital assets are as little as 40 percent of the value of a unit to become "owners" and thereby profit from appreciation on their homes while enjoying the benefits of sheltered accomodation. Also, because the local authority retains the freehold, has an equity interest and is responsible for the management of the scheme the lessee's investment is possibly more secure than it would be in another type of scheme. In addition, access to a wide range of social, health and domiciliary services provided by the authority would likely be easier for scheme residents thereby adding to their security and peace of mind.

Residents of equity sharing schemes could also face some problems. Unlike LSE schemes there is no direct subsidy. Therefore, residents will be paying a monthly rent on the portion of the equity which the authority retains. Although this is controlled by legislation and there are subsidies available there is little doubt that it will increase over time and could become burdensome. Also, the social implications of schemes like Chaddlewood where rental and equity-sharing units are combined are

difficult to anticipate. Whether friction develops between renters and owners is something which only time will tell.

Overall, the future of equity-sharing sheltered housing appears good. Preliminary evidence from Enfield suggests that there is a lot of interest in this type of scheme and additional ones are likely to be undertaken.

3 PLANNING AND OPERATING LEASEHOLD SHELTERED HOUSING

3.1 LOCATION AND SITE FACTORS

Development of leasehold sheltered housing has taken place mainly in the south of England with most schemes being built in smaller communities. One explanation for this pattern lies in the need for a "cost match" between the housing of the potential buyers and the leasehold units. In other words an elderly home owner must be able to sell his house for a price which will provide him with sufficient capital to purchase a unit in a sheltered housing scheme. Because property values in the north are generally lower than those in the south few leasehold schemes have proven economically viable there. Similarly, little development has taken place in inner city and other areas where land and construction costs are higher than the value of the older run down housing of the elderly residents.

The pattern of leasehold scheme development has also been influenced by the location, characteristics and preferences of the market. Retirement Homes Association is an example of a private corporation which has identified a national market for luxury retirement village accomodation. They are consequently developing their projects in rural settings but within easy access to London. McCarthy & Stone, on the other hand, are providing conventional sheltered housing in south west England for the large population of older people who have previously moved to this popular retirement area.

In the case of housing associations the decision on where to develop leasehold schemes is not only determined by cost match and other market considerations but also by association policy. Several national associations have adopted the view that they should help retired people where they presently live. Retirement Lease Housing Association, for example, have a policy of not developing along the coastal strip. Other smaller locally based associations such as Devizes have mandates only to develop schemes to meet the needs of area residents.

As a result of these factors and the limited number of developers the geographic distribution of schemes is still very uneven. However, there is evidence that as leasehold sheltered accommodation becomes better known schemes will be built throughout the country. Encouraged by their initial success several private developers are expanding their area of operation and other entrepreneurs are examining the market. More local authorities are showing an interest in this form of housing; particularly using the new equity-sharing approach which allows development in areas where the cost match formulae does not work. And the Housing Corporation is allocating LSE program funds on a regional basis and encouraging smaller associations to undertake their development.

All developers of leasehold sheltered housing recognize the importance of a good site to the successful marketing and operation of a scheme. Therefore, they routinely undertake a careful economic, social and physical appraisal of every site under consideration. Most choose sites in residential areas close to the potential market. Several developers of both LSE and loan stock schemes have found that buyers of LSE units are attracted from a distance of up to 25 miles while the

market for 100 per cent loan stock schemes is limited to those living within a 5 mile radius of the site. However, all types of schemes sponsored by local authorities or community based housing associations seem to have a smaller market area.

Proximity and easy access to shops and community amenities is given high priority in site selection. The National Federation of Housing Associations suggest that "an ideal site will not be more than quarter of a mile from the shops, bus stops, churches, post office and pub. A nearby dispensing chemist will be an advantage" and "The route to the shops needs to be level and safe from traffic".¹ A recently completed scheme by McCarthy and Stone in New Milton is an example of a well sited development. Located on the town's main street it was designed as part of a mixed-use building containing a supermarket, stores and offices.

3.2 DESIGN FACTORS

Sheltered housing is characterized by the following key features:

- (i) houses, bungalows or flats are designed to enhance and sustain independence while providing a high level of security;
- (ii) Schemes are planned to encourage mutual friendship and support among tenants by the provision of certain communal facilities;
- (iii) there is a resident warden who will answer emergency calls and provide assistance to residents;

¹ NFHA, Handbook on Leasehold Schemes for the Elderly, p. 5.

- (iv) housing management and the warden maintain close cooperation with local social services, community health services and voluntary agencies to provide care and support for residents who need it.

The leasehold schemes so far developed demonstrate that within this general framework of sheltered housing there is a great deal of flexibility possible in the size of projects, type and design of units and in the range of communal facilities and services provided. Generally, developers have sought to design schemes to meet the particular needs of certain groups among the elderly; always keeping in mind the necessity of producing a marketable product.

For economical management, about 20 units is considered the minimum practical size for a leasehold scheme. Although a number of housing association officials believe the ideal size is 24 to 36 units, others contend that there is no real limit provided that grouping and scale are carefully planned and additional warden provision is made where there is more than forty units. One housing association official thought that larger schemes offered residents a greater opportunity to form friendships although she expressed concern about having to "flog even forty units or go broke". The general pattern among all developers is to start with small projects and then gradually increase the size of their schemes as they gain experience and the leasehold sheltered housing concept becomes more widely known and accepted. The first schemes developed by McCarthy & Stone, for example, contains 33 units while one of their new projects will have 166 units.

With the exception of a few loan stock schemes offering full board the units comprising leasehold schemes are self-contained and designed

for independent living. Unit size, mix and features vary from project to project and depend on the cost constraints of building to match the capital resources and preferences of potential buyers. The overall size of the units range from about 400 square feet for a one-bedroom flat in a McCarthy & Stone scheme to about 1200 square feet for a two-bedroom, two storey house in an English Courtyard scheme.²

Although a few early leasehold schemes included bed-sitters there is now general agreement that elderly home owners have high expectations about their housing and will only consider purchasing one or two-bedroom units. The NFHA recommends a mix of 25 per cent one-bedroom and 75 per cent two-bedroom units. Several associations, including Guardian, come out more strongly for an even higher proportion of two-bedroom units. They argue that two bedrooms give flexibility to living arrangements and allow two friends or relatives to live together. Also, the larger units provide the freedom to have guests stay over and, in case of the leaseholder becoming ill, they can accomodate a resident nurse or homemaker. In spite of these arguments McCarthy & Stone believe there is a considerable market for more modest sheltered accomodation and continue to produce only small one-bedroom flats.

Leasehold units are designed with the needs and limitations of the elderly in mind.³ Architects usually include such features as grabrails in the bathroom, doors wide enough to allow a wheelchair to pass, kitchen and bathroom taps operated by levers, electrical, T.V. and

² A middle of the market two-bedroom unit in a recently built LSE or loan stock project would be from 500 to 600 square feet with a one bedroom unit about 450 square feet.

telephone outlets positioned well up on the wall and anti-slip tiles in the bathroom.

Practically all leasehold units are equiped with an emergency call system. This usually consists of pull cords and buttons located in various positions in the dwelling connected to an alarm in the warden's unit. In addition most schemes have an intercom which allows the resident and warden to speak to one another. Several developers boast more sophisticated systems. English Courtyard, for example, provides residents with a portable watch size transmitter which, when activated, sends a signal to the main transmitter which then sends its own signal to the warden's bleeper or a central monitoring centre. Although there is some debate in Britain on the effectiveness of alarm systems, operators of leasehold schemes consider them essential because of the sense of security they provide the residents.⁴

The range in communal facilities and amenities provided in leasehold schemes is another indication of the diversity in the market for this type of housing. For example, the schemes operated by Retirement Homes Association are designed for the more active and affluent elderly and provide a wide assortment of amenities and recreational facilities (see page 35). However, the majority of leasehold schemes provide only very

³ Government and professional bodies have developed extensive design guidelines for rental sheltered housing. See for example, National Building Agency, Sheltered housing for the elderly: Design criteria for Category 1 dwellings, and Cambridge Liason Committee, The Design of Sheltered Housing.

⁴ Butler and Oldman (eds.), Alarm Systems for the Elderly: Report of a Workshop held at the University of Leeds, September 1980.

limited communal facilities and there is a trend in newer loan stock and LSE schemes to cut back even further on such amenities.

Early housing association leasehold schemes were designed on the assumption that buyers would be identical to tenants of rental schemes. But difficulties in marketing several schemes soon pointed out some significant differences between these two groups: elderly home owners are more independent than tenants; they usually socialize in their homes; they are primarily interested in safe, manageable accommodation; and they are not willing to pay the capital and operating costs of facilities which they do not intend to use. Consequently, the NFHA now recommends against the provision of a wide range of project amenities; only a resident warden, an alarm system and a laundry room are considered essential. It is left up to individual associations on whether to provide a common room and a guest bedroom.

The size and location of a scheme are also factors which influence the developer's decision on what facilities to provide. The cost of even a communal lounge may far outweigh its benefits in a small project and a wide range of facilities may not be needed in a scheme located close to a community centre which offers programs and services to the elderly. On the other hand with local government sponsoring leasehold schemes and the central government providing subsidies there may be a movement toward these projects taking on more of a community service role. The community centre incorporated into the South Ribble scheme is an example of this.

3.3 MANAGEMENT AND SERVICE PROVISION

Many of the problems involved in managing sheltered housing have,

ironically, resulted from the successful achievement of its main objective; namely to help old people live independent lives in their own homes for as long as possible. Experience by providers of rental accommodations shows it is not uncommon for a resident to live in a sheltered scheme for ten years or more, even though he or she may have been relatively old at the time of admission.⁵ And although the majority of residents are able to look after themselves and live quite comfortably right up to the time they die the physical and/or mental condition of others can change from one that requires minimal support to one that needs almost full-time personal and nursing care.⁶ This kind of care, however, can only be provided in a residential home, hospital or nursing home.⁷

⁵ Although there is no empirical evidence, one housing association official felt that sheltered accommodation not only extended the life-span of the resident but reduced, from 5 years to 1 year, that "critical period before death where frailty often makes independence impossible or difficult".

⁶ A number of studies noted in an Anchor Housing Association Report, Caring for the Elderly in Sheltered Housing, indicate that the majority of tenants in rental sheltered housing live out their lives there. One study showed nearly 70% of all vacancies in sheltered schemes arose from the death of the tenant in their homes or shortly after admission to hospital. In another study 56% of all terminations of tenancy arose through death, 23% through transfer to other accommodation and 21% were due to transfers to hospitals, residential care facilities or moves to live with relatives.

⁷ Under existing legislation rental sheltered housing administered by local authority housing departments and housing associations is not considered a social service but rather a response to housing need. Consequently, the Department of the Environment has established limits on management costs for these schemes. If costs exceed these limits all funding would have to come from the Department of Health and Social Security and the project would, therefore, no longer fall within the definition of sheltered housing. Recently, the Department of the

Although rental sheltered housing has been in existence for over thirty years the question of what constitutes an appropriate level of support service for residents is still a subject of study and debate - especially among developers of leasehold schemes. Much of the concern centres on the role of the warden - the individual most directly involved with the physical, social and emotional well being of the resident. In addition to providing direct assistance she is essentially the "nub of interaction" between the resident and the community. To function properly she must have clear instructions on where to draw the line on her time and energy and instead rely on support from a variety of resources: from residents themselves, from relatives and friends of residents, from statutory and voluntary social services and from the health care service.

While there is no consensus on this issue most housing associations and private developers operating conventional leasehold sheltered housing schemes have adopted the policy that the warden should be an unobtrusive manager or organizer of care rather than a provider of care. A major rationale for this policy was the general concern that residents, being owner-occupiers and paying a substantial service charge, would not only treat the warden as their own domestic servant but would also demand progressively higher levels of care in the project. Consequently, scheme operators make sure that a potential purchaser realizes that the warden

Environment, the Department of Health and Social Security, the Housing Corporation and the National Federation of Housing Associations have agreed to cooperate on a pilot program for "very sheltered housing" which would not be subject to these funding constraints.

is not there to run errands or provide a comprehensive nursing service. Leegate Housing Society, currently involved in the development of two LSE schemes in Bexley, has drawn up a list of duties for which the warden will be responsible. They include general support of residents, dealing with emergencies and responsibilities for buildings and services.⁸ Guardian Housing Association is even more explicit on the role of their wardens: they include a covenant in the lease which specifically limits their responsibility for resident care and have changed the name of the warden to resident caretaker or secretary to underline this policy.⁹

Another problem facing operators of leasehold schemes is possible resistance on the part of leaseholders to leave their homes and move to higher level care facilities if their condition warrants it. Like any other individual they cannot be moved to a hospital or residential home

⁸ General support of residents: reception and introduction of new residents; looking out for signs of need; calling upon domiciliary services as required; giving advice on local amenities and services. Dealing with emergencies: answering alarm and obtaining assistance where appropriate; rendering emergency aid; contacting relations; dealing with breakdown of services such as power cuts etc.; calling in assistance when necessary.

Responsibilities for buildings and services: supervising the work of the contractor employed to maintain the landscape; cleaning communal areas and supervising cleaning staff; reporting any defects in buildings; reporting any defects in services to communal areas; security of the premises.

Other duties: record keeping; receipts for petty cash and accounting for money spent; encouraging the use of communal facilities.

⁹ The covenant reads: "Whilst Guardian agrees...to employ a resident caretaker for general supervision of the Building and answering during the night of emergency calls of the Tenant neither Guardian nor the resident caretaker can accept responsibility for medical or other care of the Tenant and the Tenant agrees that he will at his own expense make his own arrangements for all such attention and care as may be necessary".

without their consent. Therefore, as a rule, developers include a covenant in the lease or tenancy agreement concerning the lessee's ability to take care of himself. The covenant states that "If during the said term the Lessee's affairs shall be made subject to the jurisdiction of the Court of Protection or if the Lessee shall in the judgement of the Lessor become incapable of managing his own affairs" the lessor can terminate the lease with six months notice.

Managers of leasehold schemes have indicated that at least up to the present, they have not invoked this covenant because of their success in dealing with residents' families and social agencies when problems of this kind have arisen. Housing associations, in particular, consider that its use would be detrimental to their reputation and see it more as a marketing feature to assure potential buyers that they will not be exposed to people who just can't cope.

The whole question of what constitutes an appropriate level of support service is directly related to the way in which residents are selected. Single or widowed women in their seventies or early eighties represent the greatest demand for this type of accommodation. However, housing associations have found that too narrow an age range is detrimental to the smooth functioning of a scheme. Therefore, as far as market conditions allow, they select buyers so as to create and maintain a wide age mix. They suggest, moreover, that one in every six units should be devoted to households of two people even though the need of couples for sheltered housing will tend to be significantly less than that of single applicants. Very careful attention is also given to the medical status of applicants and this is coupled with a judgement

concerning the individual's mental independence and ability to get along with other residents. While some managers insist that prospective residents be ambulatory or be able to get about with only a cane there are no strict criteria for assessing applications.¹⁰

¹⁰ The Borough of Bexley examined the medical histories of 134 applicants who had applied to the Erith development. 35% of the applicants claimed to have some kind of medical problems which might affect their mobility:

Heart Conditions 3%	Hip replacements 1.5%
Arthritis 3%	Wheelchair Users 1.5%
Uses walking frame or stick 3%	Bronchitis .5%
Registered blind or partially blind 3%	Meniers disease .5%
Strokes 2%	Spinal Problems .5%
Registered disabled 1%	No specific medical problem mentioned but requests ground floor only 15.5%

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