

Mrs. Carol Traves
Personal ID No. 360792
Attending Hearing

Christchurch & East Dorset Core Strategy

Matters & Issues 7: Housing

Submission of Evidence

Prepared by Carol Traves

August 2013

1.0 INTRODUCTION & SUMMARY

- 1.1 Evans & Traves LLP is an architecture and town planning consultancy advising local property developers throughout the Bournemouth, Poole, Christchurch and East Dorset conurbation. The Partners are also Directors of a development company, Christchurch Bay (55) Ltd that is currently building 3 detached houses in Colehill, 3 bungalows in Christchurch and about to start development of 7 houses in Christchurch in October 2013 and 1 bungalow in Ashley Heath with planning applications for 7 further houses across 2 sites in Christchurch currently in the planning system awaiting determination.
- 1.2 We have a very practical knowledge of the local housing development market for small housing developments and are gravely concerned for our expanding development business that the proposed affordable housing policy LN3 will prevent delivery of sites within the urban areas due to highly unrealistic viability assumptions that are being made by the Councils. Policy LN3 is considered to be unsound as it has not been justified based on evidence. The policy will not be effective at delivering affordable housing or market housing on smaller sites and the assumed profits are not based on a reasonably competitive return for both land owner and developer as set out in the paragraph 173 of the NPPF.
- 1.3 Policy KS1 states that there is capacity within the urban area of Christchurch for 2,140 new units over the 15 years of the plan period. The SHLAA shows that a significant proportion of the identified sites that are predicted to contribute towards the supply are smaller sites of under 4 units. Therefore, the smaller sites are important to delivering the plan objective of 8,200 units. Ensuring viability and deliverability of these sites is an important source of housing supply across the plan area and period.

2.0 ISSUE C.1: ARE THE PERCENTAGE REQUIREMENTS FOR AFFORDABLE HOUSING SET OUT IN LN3 JUSTIFIED BY VIABILITY EVIDENCE?

- 2.1 The percentage requirements are not considered justified. The Councils have accepted, in the response to consultations of the Three Dragons report that was previously relied on to inform this policy, that, *'its strengths are diminished by a number of weaknesses that undermine its validity in the current and future context'*.¹
- 2.2 Since accepting that the Three Dragons approach to viability testing is no longer sound, especially for those smaller sites of lower densities, there has been no robust viability evidence base to justify the percentage requirements. The only viability evidence testing that appears to have been put forward is the PBA assessment that was prepared for CIL.
- 2.3 The PBA evidence base is at such a high level that it ignores much of the fundamentals of development viability for smaller sites. Sites of a net gain of 3 units or under have not been assessed at all in the housebuilding scenarios, therefore, there is no evidence base that smaller sites of 3 units or under can deliver affordable housing even off-site financial contributions.
- 2.4 The assumed land value benchmark at a rate of pounds per hectare is too crude, especially when dealing with sites within the urban area whereby existing land values are considerably higher than on former agricultural land.
- 2.5 The PBA scenario also only relates to assumed off-site contributions at 30% for developments ranging from 4 units to 100 units. There is no evidence base that the 35% aim as set out in Policy KS1 or the 50% aim for greenfield sites or 40% aim for brownfield sites is justified or positively prepared or will be effective at delivering its aims. Paragraph 8.6 of the Housing & Affordable Housing SPD confirms this by stating only units with a net increase of 4 or more dwellings have been assessed

¹ Christchurch & East Dorset Core Strategy Consultation Response Analysis Affordable Housing – May 2013

and deemed to be viable to make 30% affordable housing contribution along with the CIL payment. The policy percentages are therefore unjustified.

- 2.6 It is unclear to us how PBA in the Housing & Affordable Housing SPD have arrived at the rate £350/sqm as an affordable housing contribution. The buffers suggested do not seem to relate to the necessary developers return on risk and investment. Given that bank lending is based on an average of 60% of the cost of the land and the cost of the build, a developer has to find 40% to cover the rest of the costs. Without sufficient profit, re-investment in the next site will not be possible. The Councils state in the Response to Consultations on affordable housing that a 15% developers profit is reasonable. This does not leave enough profit to re-invest in the next development. This demonstrates a lack of understanding of the development process, the financing of a very capital-intensive industry or the inherent risks of a market sensitive activity. Assessing viability on a site-by-site basis is not enough as it does not take account of re-investment needed. Appendix 1 of this statement includes an e-mail from the Commercial Banking arm of Lloyds TSB as evidence to support this point.
- 2.7 Delivery of affordable housing will not be achieved through making the smaller sites unviable and undeliverable but through developing a greater number of new neighbourhoods than currently proposed that are better able to provide affordable housing delivery on-site.
- 2.8 It is important to the overall housing supply that smaller sites are able to be delivered. For example, it is predicted through the SHLAA that sites that deliver a net gain of 1 to 4 units will contribute 112 units across 65 sites of the proposed 5 year housing supply in Christchurch equating to 12.6% of expected delivery. Whilst not a significant number in itself, all of these sites are within the urban area, therefore in sustainable locations and will have a very positive economic and social impact if allowed to be delivered in the next 5 years. We suggest that if policy LN3 is permitted to remain then the predicted 5 year supply of housing as set out in the

SHLAA will be significantly reduced by virtue of the failure to deliver these smaller sites.

3.0 ISSUE C.2: SHOULD THE PERCENTAGES REFLECT PROPERTY MARKET AREAS RATHER A GREENFIELD / BROWN DIFFERENTIAL?

- 3.1 It is accepted that brownfield sites, where a building currently exists or development has occurred at sometime, has a higher existing use land value than traditional greenfield sites, being agricultural land. The current definition of previously developed land (also referred to as brownfield land) within the NPPF excludes private garden areas. Garden areas often result in a higher land value than agricultural land as the land owner seeks recompense for the loss of garden, resultant devaluation of their property and therefore the right incentive to bring the land forward. Provided that the greenfield requirement for 50% affordable housing excludes private garden land, then it is agreed that the percentages are better reflected in greenfield / brownfield rather than market areas.
- 3.2 Greenfield sites, due to their lower residential land values, higher capacity for units, and can be built to the advantage of economies of scale, are better placed to support affordable housing provision than smaller sites.

4.0 ISSUE C.3: ARE VIABILITY TESTING ASSUMPTIONS REALISTIC WITH REGARD TO: RESIDENTIAL LAND VALUES, DENSITY AND OTHER COSTS?

- 4.1 A density of 30 dph, as assessed by PBA, within the built up areas of Christchurch and East Dorset can be difficult to achieve so as not to conflict with the residential and visual amenities and the prevailing character of the area.

- 4.2 A recent appeal was allowed to sever land for a 3 bedroom detached bungalow from an existing bungalow in 2 Lions Lane, Ashley Heath². EDDC refused planning permission on grounds that this was ‘garden grabbing’ and would result in overdevelopment of the site. The proposed density was 20dph for the new development. As the appeal was allowed the Inspector did not agree with the Council’s view. However, this does demonstrate that achieving 30dph is difficult when developing small housing schemes into the existing urban area. The viability of this site is such that the project would only just be able to deliver the proposed CIL contribution. No affordable contribution could be delivered on this site.
- 4.3 Christchurch Bay is currently building 3 detached houses at 72 Middlehill Road, Colehill, that replaces 1 house. On pre-application discussions with the Council, it was clearly expressed that to develop the site for flats or multiple houses at a density that would equate to 30dph would not be a scheme that would be supported. This view was supported by earlier attempts for a block of 14 flats that was dismissed at appeal. What was negotiated was 3 dwellings with the site resulting in a density of 7.5 dph. This site could not sustain any affordable housing contribution. Significant costs associated with the topography have made the build on this site costly. If the density of development had been higher then an off-site financial contribution may have been possible.
- 4.4 It is perfectly conceivable that a density of development of 30dph can be achieved on larger greenfield sites where there are fewer constraints and more land to establish a new neighbourhood with its own character. In-filling development within the existing urban areas places a greater emphasis to have regard to an areas character and local distinctiveness as set out in proposed Policy LN2. As much of Christchurch and East Dorset are relatively low density areas, the 4,800 units predicted to be provided within the urban areas will be of a lower density. This has a material impact on viability.

² Appeal reference no. APP/U1240/A/12/2183008

4.5 Appendix 2 to this statement sets out the detailed viability assessment of a project for 3 detached bungalows in Christchurch that we completed building on the 23rd August 2013 and has just been released onto the market for sale. This site is on land at 23 Springfield Avenue and is identified in the Christchurch SHLAA under reference no. 8/09/0166. This development site involved the replacement of 1 bungalow with 3 bungalows. As the construction is completed, the figures included in the viability assessment are genuine, as are the tender prices from local contractors and finance costs. The density of development is 13dph. The bungalow that was 23 Springfield Avenue was bought at market value with no uplift to the landowner. A profit margin of 20% before tax was the minimum acceptable for bank funding and given the risk of purchasing the property outright, carrying the property loan and the construction funding loan over a 12-18 month period, potential fluctuations of the market. This profit still remains hypothetical as we have yet to complete on the sale of the bungalows.

4.6 The Inspector is very welcome to visit any of the sites mentioned in this statement to assist in visualising the type of small development sites that are bought forward within Christchurch and East Dorset.

5.0 ISSUE C4: WILL THE LOW TRIGGER OF AH PREVENT DEVELOPMENT FROM COMING FORWARD?

5.1 The low trigger will prevent development of the smaller unit sites from coming forward. The proposed rate of 40% for brownfield sites as set out in the policy for on-site provision of affordable housing is wholly unrealistic. This is acknowledged in the PBA assessment whereby 30% is used to create the £350/sqm rate for off-site contribution excluding the CIL contribution. The smaller sites by their nature yield lower returns in capital and have higher build costs because there are no economies of scale. The investment in money and time to go through the pre-application process to try and negotiate a reduced affordable housing contribution

to be able to confidently bring a site forward is prohibitively burdensome on the developer and landowners as returns are more modest than with larger sites.

5.2 The table below sets out the projected timescales and costs that would have been associated should we have been trying to bring forward 23 Springfield Avenue for development under this policy.

Item	Timescale	Cost
RICS accredited surveyor to prepare viability assessment ³	1 month lead in to agree brief, collect market evidence and build cost	£1,000 +VAT
Council's pre-application fee	21 days	£175
Architectural Advice	2 weeks lead in period for site visit, develop sketch scheme to assess of potential layout and no. of units.	£500 +VAT
Cost of Independent Assessor for the Council paid by Developer	21 days	£1,250 +VAT ⁴
Total	3 months (at best)	£2,925 +VAT = £3,510

5.3 To have to risk £3,510.00 on a small scheme to establish whether the affordable housing contribution can be reduced to make a scheme viable and importantly deliverable or not, is overly burdensome. A landowner is very unlikely to be willing to be tied contractually to a developer without the price of the land being secured. We would not be willing to speculate considerable time and money on a possible development if we were not confident that the landowner was suitably secured to ensure that that landowner could not take the information that we have invested in to the open market. Through considerable experience of trying to manage the same policy requirements in Bournemouth and the level of uncertainty created due to the percentage requirement and the tariff rate being unrealistically high, we have

³ As set out in paragraph 8.10 of the Affordable Housing SPD

⁴ Based on scale of fees for District Valuation Services as required by Bournemouth Borough Council to be paid to verify submitted viability assessments on behalf of the Council.

done very few projects in Bournemouth for 3 years an area where we had been extremely active prior to the adoption of a similar policy.

6.0 ISSUE C.4: DOES RECENT VAIBILITY TESTING FOR CIL INDICATE ANY CHANGES TO POLICY NEEDED?

6.1 The combination of CIL and affordable housing contributions resulting in a proposed off-site contribution level of £450sqm is hugely burdensome. The combination of these policy requirements will disincentivise housing delivery, especially on smaller sites. This flies in the face of the aims of the NPPF *'to boost significantly the supply of housing.'*⁵

7.0 ISSUES C.6: SPD TO BE ADOPTED CONCURRENTLY WITH THE CS?

7.1 It is considered that policy LN3 is unjustified, not positively prepared in light of robust evidence, will not be effective and therefore is unsound. As such, its supporting SPD is likewise considered to be unsound.

8.0 SUGGESTED RE-WORDING OF THE POLICY LN3

The following re-wording of Policy LN3 is drafted as a suggestion to ensure that the evidence results in a coherent and consistent policy on requirements of development sites to deliver affordable housing.

Policy LN3

To facilitate the provision of affordable housing in perpetuity, sites that include a net increase of 4 residential units or more will aim to provide 30% of those units on-site as affordable housing units unless otherwise stated in the strategic allocations policy. Should a scheme be unable to deliver affordable housing units on grounds

⁵ Paragraph 47 of the NPPF

of financial viability then an off-site financial contribution will be acceptable to ensure that the development is viable and deliverable.

The tenure mix of affordable housing units to be provided will be the subject of negotiation and agreement with the Council to reflect current local housing need.

APPENDIX 1

Copy of E-mail Correspondence with Lloyds TSB Commercial Banking

From: "Heath, Kathy" <Kathy.Heath@LloydsTSB.co.uk>
Subject: bank development funding
Date: 15 August 2013 14:00:13 BST
To: "carol@evansandtraves.com" <carol@evansandtraves.com>

Hi Carol

I have been asked by my colleague Nigel to contact you re development finance.

I am the bank's property specialist based in Poole and covering Poole Bournemouth Christchurch area where build costs are in excess of £500k. I am happy to meet up with you Monday or Tuesday next week either at your office or on site . Please let me know if either day is suitable and let me know time and place to suit you.

I do not think a 15% GP margin works for the sector which is high risk & capital intensive, and although it depends from scheme to scheme and the risks involved I would look for a minimum of c 20%.

I will wait to hear from you

Kind regards

Kathy Heath
Property Specialist
Relationship Director
Lloyds Bank Commercial Banking

tel 07850658046
101 High Street
Poole

Lloyds TSB Bank plc. Registered Office: 25 Gresham Street, London EC2V 7HN.
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Begin forwarded message:

From: "Farrow, Nigel" <Nigel.Farrow@lloydstsb.co.uk>
Subject: RE: Development Finance
Date: 15 August 2013 16:17:10 BST
To: Carol Evans <carol@evansandtraves.com>
Cc: Peter Traves <peter@evansandtraves.com>

Hi Carol

Thanks for you're email I have passed it onto Kathy Heath So that she can contact you re the Christchurch project. I have not looked at Ashley Heath yet as if Kathy is able to do Christchurch she will need to do that aswell. If kathy cannot assist with Christchurch I will look at it.

Our Standard Terms for residential development are as follows:

Standard	
To be the lower of: 60% of overall cost (maximum 50% land cost; maximum 66% development)	

costs); or,
60% gross development value.

These are of course subject to change at any time but provide a good starting point for you. Regarding GDV we do not have strict guidelines re this but 15% does seem a little light.

Regards.

Nigel Farrow ACIB

Bournemouth & Poole, SME Banking

COMMERCIAL BANKING

Mobile: 07921 548485

Assistant Relationship Manager Ben Jerome : 02380 718 398

I grow my business by referrals. If you have any colleagues, clients, or associates who would benefit from talking to me about their finance or banking options then please feel free to contact me.

APPENDIX 2

Case Study:

Viability Assessment for 23 Springfield Avenue, Christchurch.



Front Elevation of Plots 2 & 3 (above). Internal view (below).

