APPENDIX 3

STAKEHOLDER INFORMATION

Viability Assessment on the emerging Fylde Local Plan Stakeholders Workshop List of Attendees

Meeting Date: 10:00 – 12:00 - Monday 7th September 2015

Name	Organisation
Alban Cassidy	Cassidy + Ashton
Alastair Welch	Blackpool Airport Properties Ltd
Steph Rhodes	Lancashire County Council
Christopher Hibbert	Henco Management Organisation
David Bailey	LeaHough Chartered Surveyors
David Tingle	Kensington Developments
Jessica Bond	Taylor Wimpey
John Bamber	
Kate Grimshaw	Lancashire County Council
Peter Hamilton	Cass Associates
Peter Liversidge	Kensington Developments
Rebecca Makinson	Lancashire County Council
Richard Heathcote	Moorside Homes
Richard Redcliffe	Fylde Borough Council
Sebastian Heeley	Redwater Developments
Stephen Lamb	Blackpool Council
Trevor Fiddler	Fylde Borough Council
Victoria Carr	David Wilson/Barratt Homes
Farhad Rahman	Lancashire County Council
Simon Mair	P Wilson & Company

FYLDE STAKEHOLDER WORKSHOP 7 SEPTEMBER 2015

RESPONSES RECEIVED

Subject: RE: Fylde Stakeholders Workshop - 07/09/15

Hi

There are 2 comments I would like to make following the presentation yesterday.

The first is on the proposed evaluation of sites based on 40 units per hectare. Bearing in mind you have set out what you think the mix and size of these units are I would very much like to see how you would propose to get 40 of these on an acre and allow for the roads and relevant parking. From our own build programmes up and down the country it would be very hard to achieve 30 per hectare let alone 40.

My second comment, would be one that was raised at the meeting on the cost you are putting against land. The figures used on greenfield sits of between £200-£250,00 are completely unrealistic. At the end of the day a developer need to give enough money to persuade the land owner to sell. Should anyone at Keppie Massie be able to put me in touch with a land owner who is willing the relinquish building land at this level I will bite their hand off.

As was so poignantly pointed out at the meeting if you get this figure wrong it completely null an voids the whole process. While the council may argue that land is only worth what the bottom line of this document come out at it ignoors the simple fact that you can’t force someone to sell their land to you and it needs to make economic since to the seller.

Documents and policies like these run the risk of reducing building in the borough and it is vitally important that this is kept at the forefront of policy making. At present Fylde is unable to show anywhere near the level of building that is required, so I feel the council should be focusing on policies that make building attractive to developers.

Development Manager

FYLDE STAKEHOLDER WORKSHOP 7 SEPTEMBER 2015

RESPONSES RECEIVED

Subject: RE: Fylde Stakeholders Workshop - 07/09/15

Hello

Further to my attendance at the Stakeholders' Workshop, I attach the viability appraisal which was taken into account in determining the Whyndyke Farm application.

I suggest that this is a valid piece of data which your consultants can refer to as it is a real example of the costs involved in developing such strategic sites.

I would like to be kept informed of progress and would be happy to attend the next meeting.

Regards

Director
Chartered Town Planner and Environmental Consultant

FYLDE STAKEHOLDER WORKSHOP 7 SEPTEMBER 2015

RESPONSES RECEIVED

Subject: RE: Fylde Stakeholders Workshop - 07/09/15

Good morning,

Thank you for inviting Taylor Wimpey to participate in the workshop and for sending over the presentation.

At the current time we do not wish to submit any formal comments.
However should you feel Taylor Wimpey can assist in providing any further information or comments into specific areas of the study we would be willing to meet and discuss these issues further.

Kind regards,

Economic Viability Assessment Comments

September 2015

INTRODUCTION

Following the presentation and workshop from Keppie Massie and Fylde Borough Council stakeholders have been invited to submit comments in relation to the methodology of the Economic Viability Assessment, which forms the basis of a number of assumptions for the Fylde Borough Local Plan.

are a firm of Chartered Surveyors with extensive first-hand experience of dealing with residential development land in the local area. We currently act for a number of landowners within the Borough with development aspirations.

We also have recent experience of residential development land sales in Warton, Wrea Green and Kirkham and therefore believe we are well placed to comment on the local market assumptions made within the viability assessment.

The comments made below are observations made by Lea Hough & Co and are not attributable to any particular current site or client.

RESIDUAL METHOD

It is acknowledged that, for an assessment of viability across a wide range of sites coming forward in differing circumstances, the residual method is likely to be the most consistent and accessible means of appraisal.

However, whilst 'finance costs' can be incorporated into such appraisals, the cash flow implications of development costs cannot and therefore discounted cash flow techniques are required to underpin any residual calculations.

Both the amount and the timing of any planning obligations need to be carefully and cautiously considered within such an appraisal methodology to ensure the requirements do not inhibit the delivery of sites.

Return on capital requirements are of fundamental importance to developers purchasing land in the open market. As such, full consideration of the impact of additional costs, and the timing of any such payments, should be taken into account to ensure the methodology is robust and any subsequent findings can be implemented across the range of sites.

THRESHOLD LAND VALUE

Whilst it is acknowledged that the Harman Guidance comments on the use of a threshold value, this does not reflect market actualities, where comparable price information is particularly important to individual landowners.

The RICS paper on Financial Viability in Planning states;

One approach has been to exclusively adopt current use value (CUV) plus a margin or a variant of this, i.e. existing use value (EUV) plus a premium. The problem with this singular approach is that it does not reflect the workings of the market as land is not released at CUV or CUV plus a margin (EUV plus)…..The margin mark-up is also arbitrary and often inconsistently applied in practical application as a result.

It is our view that the use of comparable evidence should form the basis of any assessment of the 'release' value of land, rather than a reliance on a 'threshold' value or an "existing use plus premium" approach.

"Headroom"

The approach set out requires an assumed land value to be inserted into the appraisal. This approach is somewhat unusual from a typical application but the rationale is reasonable considering the requirements of the assessment.

It is understood that the "headroom" value, derived by the residual calculation, would be then apportioned between additional land value and further planning gain.

However, the approach only remains valid if the assumed land values are realistic, as otherwise the "headroom" value is disproportionately large. The effect would be the creation of an unsustainable planning gain levy that would undermine the delivery of land to the market.

The assumed figures are: £200-£250,000 per net developable acre for greenfield sites
£350-£400,000 per net developable acre for brownfield sites.

In our experience, we are not aware of *any* residential development land transactions taking place at £200-£250,000 per net developable acre.

From a landowner perspective, land values at such a level provide little incentive to sell an asset that in many cases is either a livelihood or has been held by a family for a significant period.

Assuming that land will continue to come forward at this price level also ignores the fact that, in many instances, there are ownership or delivery issues that mean the full development value is not achieved by the landowner. For example, the following can have a significant impact on the money actually received by a landowner from a development sale:

- Capital gains tax, the full effect of which is applicable to the vast majority of land sales.
- Third party land owners, whose cooperation is procured to facilitate development.
- Covenant holders, who are compensated for the amendment of their legal rights to allow development.

- Land is often held by several parties. If the headline land value diminishes, the incentive for each individual is further reduced.

We do not agree that a threshold land value should be used at the levels proposed.

A policy requirement that envisages sales at the proposed values has real potential to render significant areas of land unviable, as it does not provide sufficient flexibility to account for unknown or unforeseen development or ownership issues. We feel, as a result, that it would undermine the deliverability of development sites across the region.

Furthermore, we believe that a threshold value at £200-£250,000 would undermine the delivery of sites to such an extent that it would strike at the heart of the Plan's deliverability.

DENSITY/DWELLING SIZE/MIX

The anticipated densities of between 8 and 16 units per acre appear reasonable, on the assumption these are based on a net developable acre.

Whilst it is likely that the majority of sites would be delivered at c12-14 units per acre density, the assumptions would appear reasonable for assessment purposes.

The proposed dwelling size and mix is a reasonable assumption across the Borough. However, it may be inappropriate on an individual site basis- particularly, for example, in scenarios where small brownfield sites are being brought forward the mix and dwelling size is more likely to be smaller, whereas in better areas the opposite would be true.

HOUSE PRICES

The division of areas within the Borough in relation to value is not straight forward. However, we would consider the following to be more appropriate:

Seafront
Wrea Green- Lytham and part St Annes
Part St Annes- Kirkham- Weeton- Elswick- Staining- Wesham
Warton- Whitehills

Whilst in value terms the above splits may be more reflective, there would remain differences in potential sales rates between areas of population, such as Kirkham and St. Annes, when compared with the more rural villages of Elswick. In the latter, for example, whilst values may be reasonable, it is unlikely that the sales rate would exceed more than 20 units per annum.

In terms of values, we would expect incentives to be in the region of 5-7% from the asking prices.

Areas such as Warton and Whitehills would be c£185 psf, with Kirkham and similar areas c£190-£195 psf.

Values in the best locations of the Borough, proposed in the methodology at around £230-£240 psf, are achievable but such figures should be used extremely cautiously as there would remain significant sensitivity even in similar market areas.

REVENUES FOR AFFORDABLE HOUSING

We would typically consider these to be reasonable.

COST EVIDENCE AND OTHER INPUTS

The *headline construction cost* figures beginning at c£80 per square foot appear to be low and are not considered to be typical in our experience.

We would generally expect an all-in base build cost of c£90-£95 per square foot, considering the scope of the inclusions set out in the assessment. Such figures would also reflect a volume developer's capability, rather than small to medium builders who are likely to dominate the delivery of sites between 1-30 units.

The continued rise of build and labour costs in recent times appears set to continue and it is unclear in the methodology whether any inflation is accounted for in cost terms. However, with values remaining relatively stagnant and with little prospect of a significant increase in values in the foreseeable future, the impact of build cost rises should be modelled within the assessment.

Similarly, the assumed 7% *finance rate*, whilst generally reasonable for volume developers, does not reflect the anticipated levels incurred by small-medium developers, where rates of 10-14% are more common.

In addition, the model appears to assume that a finance rate of 7% is applicable throughout the Plan Period. However, borrowing costs will be fixed to the relevant base rate and are therefore commonly expressed as "6.5% above base" or similar. With the base rate almost certain to rise during the course of the Plan Period, allowances should be made for increased borrowing costs.

Marketing costs are typically in the 4-5% of GDV region, particularly considering the extent of competition anticipated by the level of development being brought forward during the Plan Period.

Similarly, the sales rates per site should be cautiously set at no more than 2 sales per calendar month. This is particularly relevant where a number of developments are likely to be focused in a single market area, such as Warton or Kirkham, and again competition is likely to have a constraining effect on both the values achievable and the rate of sales.

Developer profit rates at 20% of GDV should be considered a minimum figure.

ABNORMAL DEVELOPMENT COSTS

There is a limited allowance for abnormal costs and some of the assumptions are not transparent from the information currently available. However, additional comments include:

- In certain areas of the Borough, the Authority may seek to require 'non-standard' construction materials. The construction costs referred to above cover a volume developer's standard specification only. Depending on the extent of the extra-over requirements, a further £5-£10 per square foot may be necessary.

- The allowance for only access and servicing costs for greenfield abnormals is not sufficiently robust. For example, our involvement in recent greenfield land sales at Wrea Green and Kirkham resulted in abnormal costs of more than £180,000 per net acre and more than £60,000 per net acre. Such figures not only demonstrate the significant abnormal costs experienced on greenfield sites, but also the range of cost implications on sites which would appear to be, at face value, relatively similar. As such, it is important again for the methodology to approach the viability matters with caution.

- Our recent experience of a brownfield sale resulted in abnormal costs of more than £200,000 per net developable acre. It is not clear whether this type or level of cost is included within the assumptions.

It is apparent from the abnormals elements above that there are significant costs to be borne on both greenfield and brownfield development sites. It is not reasonable to base a greenfield appraisal with allowances for access and services only.

SUMMARY

Whilst the methodology represents a reasonable approach in terms of the type and number of scenarios to be tested, we have significant concerns regarding a number of the key assumptions made within the data that is undermines the robustness of the assessment and would therefore cast doubt on the suitability of the outcomes.

FYLDE STAKEHOLDER WORKSHOP 7 SEPTEMBER 2015

RESPONSES RECEIVED

Subject: RE: Fylde Stakeholders Workshop - 07/09/15

Dear

Further to the initial CIL presentation by Keppie Massie which I attended whilst I understand there will be a further more detailed presentation next month by when further details of the proposed development appraisals will be available for us to comment on there are a few key points that I would wish to highlight now .
Within the presentation slides you state that development densities of 30 and 40 dwellings per hectare will be appraised. Whilst it isn't stated within the presentation slides I assume this is based on a traditional 2 storey housing development given it was stated densities are based on an analysis of housing delivery in the authority area in recent years. This would reflect the bulk of current housing delivery which is 2 storey housing.

You go on to give details of the assumed percentage mix and size of dwelling that will be applied to these densities.From the information provided, it would appear that for a normal greenfield scenario (which will provide the bulk of housing delivery across the authority area) the same mix has been applied for both the 30dph and 40 dph assumptions.

I have now had the opportunity to calculate the actual development density this equates to per net developable hectare (or acre). For 30 dwellings per hectare the development density equates to 2968m2 per net hectare, 12,931 sq ft per net acre, which is broadly in line with a typical development density for 2 storey housing.

However when the same mix is applied at 40 dwellings per hectare the development density increases to 3958m2 per net hectare, or 17,241 sq ft per acre. This is far in excess of what can be achieved on a typical 2 storey housing development. To achieve this density the housing mix assumed would need to be amended to include a very high proportion of 3 storey semi-detached and mews houses. If this was the case then the assumptions on sales revenues and sales rates referred to elsewhere in the presentation would need to be reviewed to reflect the mix. The sales rate for 3 storey development would be significantly slower and the value achieved when analysed per square metre or foot will be around 15 to 20 percent lower.
It was clarified during the Keppie Massie presentation that the base land values proposed for the appraisals would be applied to the net developable area of a site. As was highlighted at the presentation the base land value levels proposed are generally very low.

For larger site (those over 4 hectares) the net developable area is assumed at 65% of the gross area to allow for open space, infrastructure requirements and general site constraints. For greenfield sites in low value areas the assumption is currently £200,000 per net developable acre. For a typical 10 acre site the developable area would be 6.5 acres and therefore the land value per gross acre would equate to only £130,000. This figure is far too low and is not reflective of market values. Assuming a base land value that is too low will artificially increase the development surplus on which the assessment of an appropriate CIL tariff.

Whilst for commercial reasons I cannot confirm specific details of commercial agreements, for landowners to bring forward sites for development to meet the needs of the local plan from direct experience £200,000 per net acre is insufficient. A more appropriate base land value for the low value areas would be £325,000 per acre net developable acre (£800,000 per net hectare).

There are a number of points where we would welcome some further clarification either before or at the next presentation that is scheduled in a few weeks time.

1. Details of the allowances made for local plan and neighbourhood plan polices.

2. A breakdown of the build cost allowances made. At present the residential build costs appear low when compared to the BCIS costs that have been recognised as the appropriate baseline to adopt by the vast majority of other authorities when assessing viability for CIL or site specific viability appraisals.
3. In relation to the sales values proposed it is not clear from the information provide if these are gross or net selling prices.
4. What level of fee professional fees allowance is proposed?

I trust the above is helpful and look forward to hearing from you again soon.

Regards