

**EAST DEVON DISTRICT COUNCIL
LAND AT STOWFORD RISE, SIDMOUTH, DEVON**

I refer to the instructions in your letter dated 11 November 2009 and to our telephone conversation on 17 November 2009 and to my acknowledgement of instructions letter dated 8 December 2009.

1. ADVICE REQUESTED

Following clarification of instructions with you I understand that you require the following valuations:

1. A Market Value of the site on the basis of 'Option D' providing 67% Affordable Housing with Code 3 for Sustainable Homes on all dwellings (the restricted value).
2. A Market Value of the site having regard to the Local Development Framework, normal Section 106 requirements and 40% Affordable Housing with the assumption that Code 3 for Sustainable Homes applies only to the 40% Affordable. (The unrestricted value).

As you are aware Section 123 of the Local Government Act 1972 provides that local authorities cannot dispose of property for less than best price which should be in line with the market value based on the Special Assumption that special value applicable to a purchaser with a special interest is included. The market value with the special assumption can usually be established by proper marketing of the property, however in this case I understand that your Council have decided not to undertake any marketing of the property and have instead decided to enter into a partnership with Devon and Cornwall Housing Association to whom the site will be sold. My advice in this case is therefore required to confirm that not less than market value has been obtained.

Our valuation advice will be prepared in accordance with the Royal Institution of Chartered Surveyors Valuation Standards (6th Edition) in which Market Value is defined as follows:

"The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

This valuation has been prepared by a Chartered Surveyor who conforms to the requirements of the Valuation Standards. The Valuer has the appropriate knowledge skills and understanding to undertake the valuation competently. The only material previous involvement in this matter has been the advice that we have already provided in respect of this site.

You have provided us with the following information:

- A copy of Devon & Cornwall Housing Association's Viability Appraisal.
- Copies of Devon & Cornwall Housing Association's Costings.
- Copy of the Master Agreement and Heads of Terms.
- A CD Rom containing the following:-
 - Drawings,
 - A number of reports including the Design and Access Statement, Archaeology report, Geophysics report etc.
 - I have also been supplied with a letter dated 3 December 2009 from Taylor Lewis Project Managers and Quantity Surveyors who act for Devon and Cornwall Housing Association. The letter provides information regarding the competitive tender to select a development partner for the site.

2. BACKGROUND AND DETAILS OF SCHEME

East Devon District Council and Devon and Cornwall Housing Association have entered into an agreement for DCHA to purchase the subject land for residential development. DCHA are to provide 67% Affordable Housing, the remaining 33% being private housing. DCHA have produced a master plan and submitted a planning application for 133 dwellings which was approved on 8 December 2009.

As part of the agreement DCHA have made an application for grant funding, which we have been advised is for £4,500,000.

Based on costings and a development appraisal DCHA are prepared to pay £1,325,000 for the site which we have been informed is on the assumption that the grant of £4,500,000 is forthcoming.

3. DATE OF VALUATION

Date of this report.

4. DATE OF INSPECTION

The property has not been inspected by us. A considerable quantity of background information and reports has been provided on a CD and we have relied on this.

5. SITUATION AND DESCRIPTION (SEE ATTACHED PLAN)

We understand that the site is well known to you and have therefore not provided a detailed description. Briefly the land consists of overgrown fields on the northern edge of Sidmouth which are steeply sloping in places. The site has a gross area of approximately 3.54 hectares (8.75 acres).

6. SERVICES

The reports that we have been provided with indicate that there are none on site at present apart from a 33 KVA Cable running north-south towards the eastern boundary.

7. ROADS AND ACCESS

Access is from Howarth Close which we understand is a highway maintainable at public expense. There is a frontage to Sidford high street (The A3052) but there is no access from this frontage.

8. PLANNING

A planning application has been submitted by DCHA on 8 September 2009 for 133 dwellings to include one and two bed apartments and two, three and four bed houses including associated parking highways, landscaping, open space and drainage works.

The dwelling types and tenures are:-

Market Housing

4, two bedroom houses
33, three bedroom houses
7 flats

Social rented

10, two bedroom houses
14, three bedroom houses
4, four bedroom houses
10, one bedroom flats
22, two bedroom flats
2 bungalows

Intermediate

18, two bedroom houses
9, three bedroom houses

We have contacted East Devon District Council Planning Department and have been advised that the total Section 106 contribution in respect of this site (excluding Affordable Housing) is £449,746 but that as two-thirds of the properties are affordable units that only one-third of this figure will apply i.e. that in addition to the Affordable Housing the Section 106 contribution in respect of this site will be £149,915.

Our valuation is based on the assumption that planning consent will be granted for the proposed development. In arriving at an unrestricted value we have assumed that planning consent would not be forthcoming for a greater number of units.

9. EASEMENTS, RESTRICTIONS AND COVENANTS

I have not been advised of any of the above of an onerous nature and have assumed that none exist. Schedules 4 and 5 of the Master Agreement set out what appear to be normal cross easements for the passage of water, electricity, gas etc, inspection and repair of boundary structures and vehicular and pedestrian access.

10. OVERAGE

The agreement provides for East Devon District Council to be paid 75% of any development surplus that results when the total costs (including land) are deducted from the development proceeds after DCHAs 17% priority return.

11. MINERALS

The property is not located in an area of potential risk from underground mining.

12. CONTAMINATED LAND

I am not aware of the content of any environmental audit or other environmental investigations or soil survey which may have been carried out on the property and which might draw attention to any contamination or the possibility of any contamination. In undertaking this work I have been instructed to assume that no contaminative or potentially contaminative uses have been carried out at the property. I have not carried out any investigation into past or present uses of either the property or any neighbouring land to establish whether there is any potential for contamination for these uses or sites to the subject property and therefore have assumed that none exists.

13. RADON

The National Radiological Protection Board has identified the area in which the property is situated as one in which, between 3% and 5% of dwellings; the levels of radon gas entering the property are such that remedial action is recommended.

It is not possible in the course of inspection/survey to determine whether radon gas is present in any given building, as the gas is colourless and odourless. Tests can be carried out to assess the level of radon in a building. At a small charge test instruments and results are available by post from the National Radiological Protection Board and other approved laboratories. The minimum testing period is three months. The National Radiological Protection Board strongly advises against using shorter-term testing instruments as they can give misleading results.

If tests have not been carried out, they are recommended. It has been the experience of the National Radiological Protection Board that it is not expensive, in proportion to the value of the property, to affect the recommended remedial measures.

15. FLOODING

The Design and Access Statement which has been provided to us identifies the site as being in PPS 25 Flood Zone 1 (Low Probability) and as such is considered suitable for residential development.

16. TENURE

The interest to be valued is the freehold interest. We have not been advised of any tenancies and assume that none exist.

17. ASSUMPTIONS

In making my report the following assumptions have been made which I shall be under no duty to verify:

- that good title can be shown and that the property is not subject to any unusual or onerous restrictions, encumbrances or outgoing;
- that the property and its value are unaffected by any matters which would be revealed by a local search and replies to the usual enquiries or by any statutory notice, and that neither the construction of the property nor its condition, use or intended use was, is or will be unlawful or in breach of any covenant;
- that all information provided by you with regard to details of tenure, tenancies, planning consents and all other relevant information is correct. My advice will therefore be dependent on the accuracy of this information and should it prove to be incorrect or inadequate the accuracy of my valuation may be affected;

that no environmental assessment of the property will be provided to or by the Agency, nor is the Agency instructed to arrange consultants to investigate any matters with regard to contamination or presence of radon gas. It will be assumed that the property (including its site) and neighbouring properties are free of radon gas and not contaminated and no search of contaminated land registers will be made. However if an inspection is made and obvious signs of contamination are visible this will be reported to you and further instructions will be requested from you. In such circumstances it is recommended that further investigations are undertaken. *The Agency's Environmental Specialists are available to undertake assessments subject to a separate fee*

- that there has been no recent flooding affecting the property or that any representation of the property on any map identifying possible flood occurrences will have no effect on value, and

18 VALUATION CONSIDERATIONS

We have been asked to provide you with two valuations:

1. A Market Value of the property on the basis of Option D (The Restricted Value).
2. Market Value on the basis of the Local Development Framework and other normal planning requirements, including 40% Affordable Housing to Code 3 for Sustainable Homes but not having regard to the agreement with Devon and Cornwall Housing Association. (The Unrestricted Value).

My comments in respect of each of the valuations are set out below to clarify the valuation advice that is provided.

Restricted Value

We have been asked to advise on the market value of the land on the basis of Option D for which a planning application has been made for 133 dwellings 67% of which are to be

Affordable with Code 3 for Sustainable Homes Level 3 on all units. We understand that consent is likely to be granted for the development. We have been advised that an application has been made for a grant of £4,500,000 for the Affordable Housing and this has been reflected in our valuation.

You have forwarded a viability appraisal of the site and accompanying costings provided by DCHA. This information has been reviewed with the assistance of our quantity surveyor. At first sight the cost of external works and abnormal costs appear to be high, but the site is very steep in places and this would involve 'cut and fill' and construction of retaining walls which adds to the construction cost.

We have also been provided with a letter dated 3 December 2009 from Taylor Lewis who are consultants and quantity surveyors to DCHA. This letter explains that a competitive DCHA's a development partner was selected by means of competitive tender and that the bids of five major house builders were evaluated. The tender accepted was the second lowest the reason being that the tender was scored on quality as well as price. This was a tender of £14,238,522 which is lower than the costs that have been used in DCHAs appraisal of the site.

In view of the competitive tendering procedure that has taken place we consider that the costings used in DCHAs appraisal can be accepted for the purposes of valuing Option D.

We have carried out our own appraisal of the site using the HCA Economic Appraisal tool and have independently assessed the potential sale prices of the completed open market units. In some cases our values were higher than DCHAs and in other cases lower. Overall however our valuation of the open market housing was slightly higher than DCHAs but not significantly so. In arriving at our valuation we have also assessed the value of the Social Rented and Shared Ownership housing.

In carrying out our appraisal we note that DCHA have applied a 17% developer's profit to both the market and affordable housing. Whilst we consider that a figure of between 17% and 20% is acceptable for market housing we consider that this is too high for the affordable housing where the developer is bearing little risk and consider that between 6% - 8% is typical. However we note that the 17% on both market and affordable housing is contained in the Master Agreement and we understand that for the purposes of valuing Option D we should value in accordance with the Master Agreement we have therefore adopted a 17% return for the developer on both the Social and Open Market Housing.

Residual appraisals are highly sensitive to minor changes in input such as dwelling prices and built costs. In our opinion the value of the site on the basis of Option D and on the foregoing falls within the range stated in the opinion of value contained in this report, and we confirm that we consider that DCHAs offer based on Option D is acceptable.

Unrestricted Value

For the purposes of the Unrestricted Value we are of the opinion that the most valuable use of the site would be for residential development. We are not aware of the existence of a purchaser with a special interest (a special purchaser).that would result in the value of the site exceeding its market value.

We have also assumed that the planning permission applied for by DCHA maximises the potential of the site since to do otherwise would require the advice of planning

consultants to advise if a higher density could be obtained reconsider the mix of units and provide an opinion as to the likelihood of the site obtaining planning consent. Clearly it is not possible to do this within the timescale for this valuation. We understand that originally there was a proposal for a higher density but that this has not been taken forward due to the contours of the site, natural features etc which would also affect the density in an unrestricted market situation.

For the purposes of the Unrestricted Value we have therefore valued a scheme of 133 dwellings and in accordance with East Devon District Council's policy treated 40% of these as affordable units. In accordance with your planning policy we have assumed that only the 40% affordable properties will be built to Code 3 for Sustainable Homes Level 3.

We have also assumed that as grant funding has been made available for Option D that a similar level of grant funding per unit would be available for the affordable units for the purposes of assessing the unrestricted value and we have therefore included grant funding pro rata to the £4,500,000 expected to be granted for Option D.

As regards the costs of development although these were subject to competitive tender for Option D the advice of our quantity surveyor was that on an open market basis some of the costings were potentially excessive and these have been adjusted accordingly.

As already referred to under the Restricted Value for Option D we consider that the return to the developer on the affordable element is too high and accordingly have used 20% on the private housing and 7% on the affordable. However, this produces a very similar land value to using 17% overall.

Due to the sensitivity of residual appraisals we have again reported a range of values.

19. OPINION OF VALUE

Having fully considered this matter on the information available we are of the opinion that the Market Values are as follows:

a.	Restricted Value (Option D)	Between £1,300,000 and £1,500,000 (Between One Million Three Hundred Thousand Pounds and One Million Five Hundred Thousand Pounds.)
b.	Unrestricted Value	Between £1,900,000 and £2,100,000 (Between One Million Nine Hundred Thousand Pounds and Two Million One Hundred Thousand Pounds*)

20. COMMENTS

The residual method of valuation has been used to arrive at the values of the subject site whereby the values of completed units have been estimated and development costs deducted to arrive at values for the site. The valuations have been based on the information provided and the assumptions stated in this report.

As you will be aware the property market and particularly the residential sector has been going through a period of extreme uncertainty and values have been falling for

approximately 2 years. The number of transactions of dwellings has considerably decreased and values have only recently started to stabilise.

The market for residential building land being dependent on the housing market and the availability of funding has also been severely affected. This has resulted in a scarcity of comparable evidence for completed dwellings and for sales of residential building land. This valuation has been based on the information available to us at the time that it was carried out but is subject to a higher degree of uncertainty than normal.

You have asked whether any specific consent is necessary for example 'the general consent under Section 25 of the Local Government Act 1988 for Disposal of Land to a Registered Social Landlord'.

It is our view that a disposal under Option D would be at less than best consideration however the Local Government Act 1973 and the General Disposal Consent (England) 2003 gives consent to the disposal of land in specified circumstances:-

- a. The local authority considers that the purpose for which the land is to be disposed is likely to contribute to the achievement of any one or more of the following objectives in respect of the whole or any part of its area, or of all or any persons resident or present in its area;
 1. the promotion or improvement of economic wellbeing;
 2. the promotion or improvement of social wellbeing;
 3. the promotion or improvement of environmental wellbeing; and
- b. The difference between the unrestricted value of the land to be disposed of and the consideration for the disposal does not exceed £2,000,000 (Two Million Pounds).

As indicated by the valuations provided we are of the opinion that the difference between the Unrestricted and Restricted Values do not exceed £2,000,000.

With regard to other matters concerning the disposal consent we suggest you seek legal advice.

21. VAT

The property is assumed not to be VAT rated and therefore no additional sum is due for this.

22. CONFIDENTIALITY

No responsibility is accepted whatsoever to any third party who may seek to rely on the contents of my report. They will do so entirely at their own risk. Neither should any part or the whole of it be included in any published document, circular or statement in any way, without this office's prior approval.

23. EXEMPT INFORMATION

You may wish to consider whether this report contains Exempt Information within the terms of Paragraph 9 of Schedule 12A to the Local Government Act 1972 (Sections 1 and Part 1 of Schedule 1 to the Local Government (Access to Information) Act 1985) as amended by the Local Government (Access to Information) Variation Order 2006.

24. VALIDITY

This report should not be considered valid for more than three months nor if circumstances change.

P M Scammell MRICS
for District Valuer