

## **Statement of Common Ground**

**In connection with Inspector's Draft Matters, Issues and Questions for Examination of the**

**CRANBROOK LOCAL PLAN**

**Specifically, in relation to Matter 15 - Viability**

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**5<sup>th</sup> February 2020**

## INTRODUCTION

The Inspector has asked the parties to provide a Statement of Common Ground (SOCG) to assist the Inspector in the key issues relating to viability. The aim of the document is to identify the outstanding matters and where possible, seek a consensus to the inputs.

The SOCG covers the following:

- A Scott Schedule of key inputs and variables, showing where the parties are in agreement or where there is still a matter of disagreement.
- Sources of inputs and their provenance

It is understood that in addition, the Inspector has asked for:

1. Clarity of understanding (and any agreement) on which infrastructure is to be included or excluded in the list of costs to be equalised (the bridge and the pylons being the two elements referred to though there are other items included in the infrastructure delivery plan which may also need to be discussed)
2. Clarity of understanding from the Council as to how the individual elements of the IDP had been costed and what those costs cover.
3. How any equalisation would work and the method used to secure it.

**Response from those not advising the Council:** In terms of detailed analysis of the IDP costs this question has been posed to the council and as such will leave them to consider. We would however comment that the content of the IDP list is not agreed, and we await further explanation from EDDC ahead of the next EIP sessions.

## SCOTT SCHEDULE

This Scott Schedule is provided with inputs from the following parties:

- East Devon Communities Partnership (EDCp) – represented by Whiteleaf Consulting (WCL) and Chesters Commercial (CC)
- LVA – represented by Sturt and Company (SC)
- Persimmon Homes – represented by Bruton Knowles (BK)
- East Devon Council – represented by Three Dragons (TD) and Ward Williams Associates (WWA)

### Summary

Key differences on methodology and which impact the most on value remain:

- Valuation SANGS land
- Level of appropriate developers' Profit
- Calculation of profit on affordable homes revenue or costs
- Treatment of interest on the cost of land purchase
- Gross land area
- Marketing costs and sales incentives
- Whether appropriate servicing costs for employment land are included
- Profit on employment land

The Table below outlines the areas discussed at the meeting between all named parties on 3<sup>rd</sup> February.

Item		Agreed	Three Dragons	Comment	WCL	SC	BK	Comment
1	Evidence date	No	Various	Released as part of the evidence base for the draft plan	January 2020			Three Dragons have Private housing GDV as of May 2018. Costs as of Q3 2018. With Affordable Housing confirmed as of Summer 2019.
2	Gross Land Area	No	227.94 ha		270 ha			Applications submitted for Blue Hayes, Cobdens and Tresbeare total 226ha with fourth area (Grange) measured in excess of 40 ha
3	Net Area Land Area	Yes	99.11+4.57 = 103.68 ha	Residential & mixed use areas	99.11			Subject to other comments on development boundaries

Build Costs								
4	BCIS Index Used	No	Cost Assessment by WWA.		Proportion of Lower Quartile and Median	Median		Updated build costs from Q4 2019 utilised – the use of BCIS with adjustments is standard practice as it provides a transparent assessment using respected published guidance from the RICS
5	Average Cost £/sq m (including contingencies and for WCL appraisalexternals )	No	£1,239	Cost includes contingencies but do not include externals which are dealt with elsewhere in the cost plan	£1,365			WWA cost based on Q3 2018. WCL at Q4 2019.
6	Total Cost of base Build	No	£471,529,592	Excluding externals	£516,260,005			Includes externals
7	Allowance for Common Areas of Flats	No	10%	As referred to in Cran063 para 4.1.2	15%			It is unclear where TD have provided any allowance for this in their actual appraisal, but in discussions TD stated 10% allowance. This needs to be clarified.
8	External Allowance - Housing	No		Costs from Cost Consultant	13.5%			Adjusted BCIS costs to reflect the costs of external development (driveways, gardens, estate roads etc) is standard practice as it allows transparency in developing the cost model.
9	Provision of Self Build serviced plots - )	No	£16,107 per plot of site costs.	Cost from cost consultant				The costs are not agreed. However, for comparison purposes only they have been used in the viability summary prepared for the Examination.
10	Serviced Gypsies site	No	£1,432,500 inc. contingency plus fees	Cost from cost consultant				The costs are not agreed. However, for comparison purposes only they have been used in the viability summary prepared for the Examination.
11	Number of Garages - Single	No	600		808			808 garages reflect circa 20% of all units provided with garages and is not inconsistent with the expected number that would be provided under any detailed design.
12	Garage construction cost - per single garage	No	£7,650 plus professional fees	Cost from cost consultant	£8,500 plus professional fees			
13	Total garage cost	No	£4,590,000 plus professional fees		£6,863,750			

14	Cost for Upgrade On Building Regs	No							The build standards over and above building regulations has not yet been quantified and so this aspect has yet to be reflected in the build costs.
15	Cost of Carbon Neutral	No	£1,588/dwelling	Listed in plot abnormals					The costs are not agreed. However, for comparison purposes only they have been used in the viability summary prepared for the Examination.
16	Services Connection/Utilities	No	£40,088,450 including contingency and professional fees	Costs from cost consultants					The costs are not agreed. However, for comparison purposes only they have been used in the viability summary prepared for the Examination.
17	Attenuation	No	£4,870,000 plus fees	In site abnormals					The costs are not agreed. However, for comparison purposes only they have been used in the viability summary prepared for the Examination.
18	On Site Landscaping	No		Allowed for in Exceptional Development Costs					The costs are not agreed. However, for comparison purposes only they have been used in the viability summary prepared for the Examination.
19	Site Specific Abnormals	No	£22,200,000 including contingencies, plus fees	Costs from cost consultants					The costs are not agreed. However, for comparison purposes only they have been used in the viability summary prepared for the Examination.
20	Plot Specific Abnormals (eg Special Foundations)	No	£19,990,000 including contingencies, plus fees	Costs from cost consultants					The costs are not agreed. However, for comparison purposes only they have been used in the viability summary prepared for the Examination.
<b>Contingency</b>									
21	House Build Cost	No	2%	Allowance from cost consultants	5% on Lower Quartile BCIS	5% across all BCIS costs			
22	Externals and other build cost	No	2% contingency on garages and plot costs (externals); 10% on landscaping and 10% on highways	Allowance from cost consultants	5% on Lower Quartile BCIS	5% across all BCIS costs			WWA state contingency Enabling Works of 10 %, nothing for garages, Landscaping or Highways.
23	Instructure – On and Off Site	No	10% contingency on infrastructure	Allowance from cost consultants					TD/WWA show no apparent contingency for Infrastructure or S106/S278 works

									The costs are not agreed. However for comparison purposes only they have been used in the viability summary prepared for the Examination.
24	Contingency on Self Build Cost	No	5%	Allowance from cost consultants					The costs are not agreed. However for comparison purposes only they have been used in the viability summary prepared for the Examination.
25	Contingency on Gypsies site	No	10%	Allowance from cost consultants					Note WWA state cost is £1,910,000. including contingency but not fees. Three Dragon allow only £1,432,500 allowed for in Appraisal.
<b>Developers' Return</b>									
26	Market Housing - Profit as % of GDV	No	17.5%	As per Cran063 para 6.4.3	20.0%				All consider that this is a high-risk development where 20% is an appropriate margin which is explained further and in detail within the submission documents under Matter 15 Viability. It is considered that PPG, precedent and various appeal decisions support this assumption.
27	Affordable units	No	6.0% on base build cost only. (4.4% equivalent on GDV)	In line with PPG	6.0% of GDV				Three Dragons have applied a builders' return to the base cost of £1,239 sq m which equates to only 4.4% of GDV. There is no additional allowance for the cost of servicing and Exceptional Development Cost that are required for the Affordable Housing which if this method is used should also be reflected.  6% of GDV is an accepted standard approach (in line with NPPF/PPG) for the return on affordable houses.
<b>Professional Fees</b>									
28	Fees On House Build cost	No	4.94% on Base Build Cost	Allowance from cost consultant	7.5% on base build costs	8% on base build cost			
29	Fees on Externals and other costs (Exceptional Development Costs)	No	Varies between 4.43% and 9.10%	Allowance from cost consultant	7.5% on base build costs	8% on base build cost			WWA Provide different Fees levels within their cost plan
30	Fees on Infrastructure	No	Professional fees 9.1% on infrastructure	Allowance from cost consultant		8.0%			
31	Planning Cost and Fees	No		Site promotion costs met	Addition of promotion costs of £2m				Prior to development and planning applications significant costs will be spent on planning promotion (such as

				through land value uplift.		Examinations in Public) and legal/surveyors costs. This would be in addition to the professional fees within the viability model.
<b>Developer Obligations</b>						
32	Section 106 cost (planning obligations)	No	£70,173,400 plus £4,867,994 fees	See Cran063 para 6.2.3 for variance from cost plan.		TD value appears inconsistent with WWA cost plan where S106 is stated as £87,300,000 plus £9,385,000 (10.75%) fees. Giving a total of £96,685,000.  The costs are not agreed. However for comparison purposes only they have been used in the viability summary prepared for the Examination.
33	Section 278 cost	No	£10,540,000 plus fees	Costs from cost consultant		The costs are not agreed. However for comparison purposes only they have been used in the viability summary prepared for the Examination.
<b>Finance</b>						
34	Finance Debit Rate	No	6.0%		7.0%	On all build costs and reflects loan set up costs, valuation fees etc
35	Interest on cost of land	No	£33.99m	There is enough finance cost to cover land finance .	7.0%	The inclusion of the cost of land is a fundamental valuation concept in such appraisals. This is a significant cost to the development and not including this will have a dramatic impact on the perceived viability of the site. At TD's own values this discrepancy would be an additional cost of some £30m.
<b>GDV</b>						
36	Private Housing Price £/sq M (3,400 Plots)	No	£2,920.02		£2,920.02	
37	Affordable Housing Price £/sq M (600 Plots)	No	£1,932.94		£1,892.01	Single registered provider information which if followed is below that indicated by the Three Dragons model.
38	Self Build Per Plot (167 Plots)	No	£72,000			The values are not agreed. However, for comparison purposes only they have been used in the viability summary prepared for the Examination.
39	Gypsies per Plot (Up To 20 Plots)	No	£825,000 in total		Zero as no established market	The values are not agreed. However, for comparison purposes only they have been used in the viability summary prepared for the Examination.  It is considered that there is no market for such sites when promoted in a Development Plan as occupation assumed by market to be zero.

40	Commercial Land Hectares		9.5ha including B Class and Mixed Use		9.5ha including B Class and Mixed Use	
41	Commercial Land £/Ha	No	£7,600,000 in total (800,000 pha)			<p>The values are not agreed. However, for comparison purposes only they have been used in the viability summary prepared for the Examination.</p> <p>It is considered that any value attributable to this aspect must reflect appropriate servicing costs and also profit to the commercial developer.</p>
<b>Sales Costs</b>						
42	<b>Private</b> - Fees and marketing costs (as % Mkt housing GDV)	No	3.0%		3.75%	
43	<b>Private</b> - Incentives allowance (as % Mkt housing GDV)	No	Incl in above		Incl in above	
44	<b>Private</b> - Legal fees for market dwellings (per Mkt dwelling)	No	Incl in above		Incl in above	
45	<b>Affordable</b> - Transaction costs for transfer to RP.	No	None		0.5% of GDV	
46	<b>Self Build</b> – Sale Fees	No	Not specified		0.5% of GDV	
47	<b>Self Build</b> – Legal Fees	No	Not specified		0.5% of GDV	
48	<b>Commercial</b> – Sale Fees	No	Not specified		0.5% of GDV	
49	<b>Commercial</b> –Legal Fees	No	Not specified		0.5% of GDV	
50	<b>Gypsy Site</b> – Sale Fees	No	Not specified		0.5% of GDV	
51	<b>Gypsy Site</b> – Legal Fees	No	Not specified		0.5% of GDV	
<b>Sales Rate</b>						
52	Lead In Period before Sales	No	3 years		2 years	
53	House Trajectory	No	All sales (market and affordable) maximum at 585 units per year			<p>The sales rates are not agreed. However, for comparison purposes only they have been used in the viability summary prepared for the Examination.</p> <p>It is considered that the sale rates adopted that reach some 478 sales per year for market housing is unachievable. It should be noted that phase 1 maximum was 409 sales. Of which 175 were affordable. The average sales rate since 2012 has been just 240 (market and affordable). Equally such a high sales rate would require significant discounting on sales prices as competing sales sites</p>



						try and attract custom from what would be a saturated market.  Sales are demand driven and not Plan driven. A realistic trajectory has to be considered to ensure a robust viability appraisal.
54	Sale Rate of Commercial Land	No	Sold in 2 tranches of 12 acres. each in year 5 and year 7.			Should be spread over the whole period to reflect take-up.
55	Sale Rate of Self Build	No	Sold in 5 years between years 3 and 7.			Should be spread over the whole period to reflect take-up.
56	Sale Of Gypsies site	No	Sold in half each in year 6 and year 13.			Should be spread over the whole period to reflect take-up.
<b>Land Costs</b>						
57	Benchmark Land Value	No	Development land £300,000/ha and SANG land £25,000/ha. Can be expressed as a blended £205,414ha (£83,019 per acre) average.	Development land benchmark based on 15 times agricultural value. SANG land benchmark 25% premium over agricultural	£300,000 ha. (£121,400 per acre)	This aspect is another significant point of principal and along with the gross area calculation has a marked impact of the robustness of the Viability. TD have valued the SANGS land at agricultural value which assumes that the seller would not require any uplift in value from existing use to release their land.  As stated above the cost of purchasing this land must be included in the cost and reflected in the finance costs. This is outlined further in the matter 15 statements.
58	Legal acquisition fee	No	0.5%		1%	
59	Agents fee	No	1.25 %		1.75%	
60	SDLT	No	Yes		Yes	