

Programme Officer
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20.08.21

Dear Ian,

Would refer to your email containing Viability Update Consultation 13th July 2021 and the documents therein which are, PSD34-PSD43 which I have now had a chance to peruse.

The information is complicated and in some depth and we would refer to the critical points only, in this instance for expediency.

Within my attachment that I submitted with my email of 02.10.2020, I was specific with the questions raised within AQ1 – AQ7. Reference Inspectors Meeting on the 11.02.20. My email included reference to EDDC document PSD 25 and the critical items were:

- | | |
|-------------|---|
| Clause 2:4 | The landmark value for development land 300,000.00 ha. |
| Clause 7 | Inspectors assessment for landmark value for development land was assessed as of £247,000.00 per ha. |
| Clause 2.11 | Developers return of 17.5% as return of residential development is lower than commercial developments. |
| Clause 13 | No allocation has been made for costings for the second railway station. |
| Page 14 | (High risk factor) due to only a 11 year period left on the EDDC local plan, construction of the allocation housing is very much front loaded!
(Low risk factor, applied to the transport infrastructure serving Cranbrook. (not high risk). |
| Clause 6.1 | The contractors return on costs is allocated at 6%, could not see the relevance of this. |
| Clause 7 | The proposed transfer values are low and only confirms that properties within the scheme will not achieve any enhance quality of design. |

EDDC document PSD 24. Cranbrook Infrastructure Delivery Plan. Clauses 2.6 2.24 inclusive of Clause 3.3. There are a number of infrastructures which have not been fully costed and therefore have not been included.

EDDC document PSD 26. Within Clause 2:1:1 there is a request for 8.38 million towards enhancing public transport. There is no confirmation these funds will be provided.

Within 3.1.3 in the absence of development funding there is to be no second station.

PSD 21(a)

Was updated by Viability Report as produced by Ward Williams & Associates was of the opinion that the Viability Report as stated by Ward Williams Association in adequate in its funding which appear to be re-affirmed at the meeting by the Developers who considered that the Viability Report was a minimum of £150m short in its costing.

PSD 34 Sensitivity testing IDP update.

Although East Devon have identified savings of 12.9m from the IDP, Clarification has been carried forward to the revised Viability Statement. Notes should not be made although the net per dwelling cash equivalent contribution due to equalisation states that the contribution falls to £16,112.00 per plot. This needs to be seen where this is, in the Viability Statement. Although the inspector specifically within PSD 33 emphasize the in-adequate costings with reference to infrastructure, EDDC now claim they have a new infrastructure base which is 12.9ml lower than the July 2020 position. Reductions come to 34.7ml within a critical item where there has been a claim where EDDC have been accused of under costing.

We cannot calculate where the net per dwelling cash contribution fall into £16,112.00 per plot is carried forward.

Clause 4 EDDC have focused on engagement with the Developers and progress of statement on common ground as it was quite obvious from the last meeting that the Developers knowledge on feasibility study was far higher than East Devon District Council and more practical. There is a separate report from Graham Oldrieve RICS within the general practice of Vickery Holeman.

Although it is stated that a Viability Report does not necessarily have to be undertaken by a Chartered Surveyor the RICS has a known standard of discipline with issue of Viability Report on residential developments which Ward Williams & Associates did not comply. This supports the under costing on infrastructure of 30ml, as a fund has now been made available from within the development period. As this is a liability at an interest rate of 2.25%, this will be an additional cost not additional capital income.

Interest rates on a commercial loan is not at the same level as a development rate which would be used by developers i.e 6%.

Clause 20 states that there is broad agreement between Hallam Land Management, Taylor Wimpey, Persimmon and Redrow. Although that does not speak for all developers, it brings together very experienced developers in a role of private development and cannot see where a smaller bodies such as Cranbrook LPC could possible make major savings than those developers contained therein. This agreement is not comprehensive.

Clause 43 There is conjecture as to the returns on value of 5%. In normal circumstances you would have a contractor who would be employed by the developer. The contractors costs are not payable by the Developer. The Contractors profit return would be based on these costs would not exceed 6%. A developer would expect a minimum return on a private development of at least 15-17% between his sale price and his bill of costs to a contractor. The two don't mix.

PSD 35 Cranbrook Infrastructure Delivery Plan

Updated to 2021 and does not appear to be coherent with the DPD document 2013/2031 modified on May 2021.

It is surprising within clause 1.18 that they have to bring attention that some infrastructure is essential to enable a development to go ahead. Roads, sewers, pavement, bridges and drainage are critical and cannot see the reason why this has to be emphasised other than inexperience.

Reference should be made to clause 2.17 of the proximity of the Exe Estuary and that financial provision should be made for Sangs for a period of at 80 years. This has not been provided. Would refer to clause 2.7 where the aim is to deliver half hourly train service in each direction. This cannot be provided with a single line and it cannot be provided with the financial restrictions which have only been eased slightly by British Rail taking over the management structure of South West Railways.

What is becoming clear from this document is that, the 106 Agreements does not financially cover the provisions of infrastructure on the expansion of Cranbrook and the developers cannot afford it.

As confirmed within my criticism of the Cranbrook Plan 2013-2031 modified May 2021, this document appears to be a rehash of existing requirements with clauses printed out and readdressed.

The Section 106 DP requirements require to be defined in a clear and concise way.

Within the Appendix there are infrastructure schedules with updated costings included. These Appendixes and itemised categories for development areas are singular itemised requirements collated together. None of this has any real specific requirements as to the claim by the inspector that the infrastructure is ill designed and under funded.

PSD 36 Cranbrook DPD Addendum Viability Report – Ward Williams & Associates.

Clause 2.1.6 Sensitivity Test. Affordable Return of Bill Cost. The affordable bill cost is not relevant and should not be included. Reference clause 2.2.5. Sensitivity a and b increasing the developers return on market housing to 18.75% and 20% reduces the surplus to 27.1ml. This is only applicable if bill cost is restrained and house prices continue at their current rate. This is highly unlikely.

I cannot see anything within this document that makes any contribution whatsoever to the original viability statement as contained within Ward Williams Association document PSD 21st July 2020 Table 4.1.

PSD 37 Vickery Holman Property Consultants.

Clause 1.12 it is stated that they are familiar with Cranbrook but have not inspected the properties. I would consider this to be a necessity to give a accurate valuation on properties to inspect.

Clause 2.2 it is confirmed that Mr Graham Oldrieve is a registered valuer and a Senior Development Surveyor at Vickery Holman Limited which is the largest practice dealing with commercial property in the south west of England. This is not residential development.

Clause 4.14 17.5% is a reasonable figure for developers yield.

Clause 4.17 States they have allowed developers profit which they refer to as a contractors profit. It is not a contractors profit. A contractors profit is completely separate from developers profit. A contractors profit is based on costings and profitability for works done. A developers profit is specifically for acquisition and re-sale and profit therein.

Clause 5.2 Cost estimates are based on contractors cost and the price he gets for his works. Developers evaluations are based on cost of his land and build added together as regards his sale price GDV.

Clause 5.7 The base build cost will not be within a lower quartile cost of capital BCIS.

Clause 6.9 Within developers borrowing costs banks are loathe to loan money on property developments at lower rates due to the risk factor below the risk factor which they will assess at 6%.

Table 4.2 Cranbrook Expansion Viability Results (DEVELOPMENT APPRAISAL)- ORIGINAL

	£
Market Housing	1,047,154,581
Affordable Housing	92,947,135
Employment Land	4,285,126
Gypsy and Traveller Pitches	800,971
CSB	9,397,370
GROSS DEVELOPMENT VALUE	1,154,585,183
COST	
Land (With fees and SDLT)	65,945,788
Market Housing Build	439,576,581
Affordable Housing Build	58,682,267
Other Site and S106/S278 cost (Including Land)	318,339,570
Sales and marketing cost	31,727,637
Finance	25,929,350
TOTAL DIRECT COST Including Finance	940,201,193
NET PROFIT	214,383,990
Return on market housing	183,252,052
Return on affordable housing	3,451,898
Return on employment land and Gypsy & traveller	890,067
Residual Value	26,789,973
VALUE	214,383,990

DEVELOPMENT APPRAISAL Yield % 18.56

Table 4.2 Cranbrook Expansion Viability Results (DEVELOPMENT APPRAISAL)- REVISED

	£
Market Housing	1,047,154,581
Affordable Housing	92,947,135
Employment Land	4,285,126
Gypsy and Traveller Pitches	800,971
CSB	9,397,370
GROSS DEVELOPMENT VALUE	1,154,585,183
COST	
Land (With fees and SDLT)	131,891,570
Market Housing Build	439,576,581
Affordable Housing Build	58,682,267
Other Site and S106/S278 cost (Including Land)	318,339,570
Sales and marketing cost	31,727,637
Finance	25,929,350
TOTAL DIRECT COST INCLUDING FINANCE	1,006,146,975
NET PROFIT	148,438,208
ADD TO COST	
Sewage work EDDC 10.08.21	2,500,000
Public works Loan EDDC 15.06.21	30,000,000
Public Infrastructure 11.08.21	40,000,000
Public Transport PSD 26	8,300,000
	80,800,000
NET PROFIT	67,638,208
Return on market housing	36,506,270
Return on affordable housing	3,451,898
Return on employment land and Gypsy & traveller	890,067
Residual Value	26,789,973
TOTAL VALUE	67,638,208

DEVELOPMENT APPRAISAL Yield % 5.86