Worthing Borough Council Community Infrastructure Levy Schedule Examination

Roffey Homes further evidence

Monday 8th September 2014

<u>Question 4 - Are the residential land values assumed in the NCS Assessment (as based on the Land Values Appraisal Study) realistic and representative of sites on which development is likely to occur in Worthing?</u>

Residential development of low rise apartments will occur where the developer will be able to materially increase the amount of habitable space on the site through either a greater footprint or greater height. When assessing this, the developer has to look at factors such as surrounding building heights, impact, overbearing development etc.

In brownfield development, these factors create natural barriers to development which can limit the ability to obtain both a material increase in footprint and height. Low rise apartments will likely only occur where the neighbouring urban grain is between 2-4 storeys. Additionally, and crucial to this argument, is the requirement to gain a material jump in the building footprint. This naturally makes developers look at existing locations where they can achieve this and space for on site parking. We have to therefore look at the land values of applicable brownfield development land, NOT generalised land values.

If you took an example of Bath Road in Worthing (in a high land value area), this has both houses and flats on it. The houses are in a number of instances in large plots of around 500m2 each. These houses are currently valued at around £500,000 conservatively. They therefore have a price per hectare of £10million.

If you took Winchester Road in Worthing (in a medium land value location), this again has houses and flats on it. The houses are on smaller plots and worth around £500,000 each. Therefore the land value here is higher than £10million, but the NCS Assessment believes this should be less valuable.

There are also more period houses converted into flats in Heene ward (in a medium land value location). Based on four flats per house, valued at £150,000 each, the land value is higher than a house at £600,000, and normally on a smaller plot. Therefore the land value should be higher again.

Our development of three detached seafront houses on West Parade paid just over the asking price of £650,000 for each property in 2008. The size of this overall site is 1961m2. This equates to a land value of £10.453million per hectare. Houses along West Parade are now going for over £750,000 on similar sized plots as these houses.

There are many more numerous examples of such existing residential housing areas in Worthing and it is easy to calculate and prove that the land value is markedly higher than the typical range of £2m to £2.2m being stated by the NCS Assessment. We believe that the NCS Assessment HAS NOT reasonably looked at these areas both for land value and implications of charging CIL on them. Because of this, we believe the Assessment is both defective and unrealistic on the residential land values.

On commercial or industrial land, it is a lot harder to ascertain the true existing land value. Where a historical use is no longer valid, for example the old Police Station in Worthing, then it is reasonable to argue that there is no fixed existing land value and the new value should allow for CIL etc. However where the existing use could be used again, for example office space or light manufacturing, then the land owner will not entertain redevelopment unless he can see a gain in land value or the capital investment to get a new tenant makes redevelopment the best option.

<u>Question 5 - Does the NCS Assessment adequately appraise the residential development likely to come forward during the remainder of the Core Strategy Plan period, in particular brownfield residential development and residential redevelopment of land currently in residential use? During the remainder of the plan period what proportion (in broad terms) of residential development, yet to be granted permission, is anticipated to take place on (a) existing residential land (b) commercial/other brownfield uses (c) greenfield land?</u>

We attach a plan of Worthing showing the main areas of use aside from residential. From this it is clear that there is very little greenfield development potential in the Borough. Therefore we contend that the brownfield development is likely to account for over 90% of future development, increasing to 100% once this land is used.

The existing commercial and industrial uses are all protected by SPD policies and primarily occupied and viable in the short to medium term. This therefore puts greater emphasis on analysing the redevelopment of existing residential land.

<u>Question 6 - Would the proposed CIL charge be likely to make residential redevelopment schemes on land currently in residential use unviable?</u>

We have detailed below three recent or current developments. These were all brownfield developments on either residential or commercial land. The developments are all a maximum of 4 storeys.

Please see previous development information:

26-28 St Botolphs Road (2012/2013) – 14 apartments. Previous use = semi-detached house and studio flats

Land Value = £512,650
Build Value = £2,234,000
Professional & other costs = £88,000
Selling costs = £63,782
<u>**Total costs = £2,898,432**</u>

<u>**Total Sales = £3,233,000   Profit = 10%**</u>

42-44 West Parade – (2013/2014) – 13 apartments> previous use = 3 detached 4-5 bedroom houses on the seafront

Land Value = £2,050,000
Build Value = £4,734,000
Professional & other costs = £292,388

Selling costs = £117,026
Total costs = £7,193,414

Total Sales = £8,359,000   Profit = 14%
Heene Road – (2104/2015) – 24 apartments. Previous use = old bank building and nursing home

Land Value = £1,400,000
Build Value = £4,100,000
Professional & other costs = £334,000
Selling costs = £110,000
Total costs = £5,944,000

Total Sales = £7,261,000   Profit = 18%

Based on the above, we believe the application of CIL of £100 on developments of previous residential brownfield land will make many sites unviable, seriously hampering the ability in Worthing to provide new housing.

Question 7 - Is a 20% developer's profit assumption realistic for apartment developments?

We agree with representations made by others that apartment development has greater costs than house building. The reason is that the whole development must be built before occupation, and therefore before the first sales proceeds come in. In house building, you can build a few units, get the sales proceeds, and then build some more. There is therefore a greater cash flow requirement which costs more.

Additionally, sales of apartments in Worthing do not sell off plan like they do in London, where foreign investors are keen to invest funds into developments well in advance of completion. In Worthing we have found that 95% of our purchasers are owner occupiers who can only purchase once they have sold their current home. This then leads to sales periods for the development of 18 months being factored into our cash flow forecasting. There are therefore additional costs such as council tax as well as greater interest to pay on the development loan because of the longer time to pay back the loan.

Question 8 – Are there errors in the NCS Assessment appraisal of low rise apartments in high value areas as contended by Roffey Homes?

> On page 31 of the NCS Assessment, the Viability Appraisal Results for low rise apartment blocks in medium and high value areas are materially different.
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> In Medium value areas the values (per SQM) are:
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> Greenfield = £208
> Brownfield = £131
> Market Comparable = £55
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> In High value areas the values (per SQM) are:
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> Greenfield = £611
> Brownfield = £538
> Market Comparable = £464

The difference between them (per SQM) is therefore:

Greenfield = £403
Brownfield = £407
Market Comparable = £409

Based on the Council's own SBD of minimum size dwellings, a two bedroom apartment is 70m2. So if you multiply this difference by 70 to get the difference per apartment it becomes:

Greenfield = £28,210
Brownfield = £28,490
Market Comparable = £28,630

The NCS Assessment says that low rise apartments are then based on a development of 25 units, so this becomes a difference per development of:

Greenfield = £705,250
Brownfield = £712,250
Market Comparable = £715,750

The above figures are only 50% of the uplift in value so these are doubled to get the difference between the existing land use value and the potential land use value if planning were achieved on the site.

Greenfield = £1,410,050
Brownfield = £1,424,500
Market Comparable = £1,431,500

The NCS Assessment then in 4.9 mentions a density of apartments of 120 units per HA. So for a low rise development of 25 apartments this would fit on a site of 0.2 HA, or 2000m2. So the above figures can be multiplied by 5 to get a difference between these areas per hectare of approximately £7million. This is wholly incorrect.

There is absolutely no way that there is this type of difference between high and medium value areas in Worthing for this type of development.

Additionally, the sales values for new build apartments in high and medium areas are identical, as a study of our previous developments would show from local agents or the Land Registry.

We very strongly argue that there is no difference between land values and sales values in the medium and high value areas.