

CTE

21 December 2007

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Dear Simon

PLANNING OBLIGATIONS STRATEGY – SUPPLEMENTARY QUESTIONS

I am writing with an interim response to the questions raised in your email of 17 December 2007. This is based on the additional work we have so far undertaken since your contact, but we need to do further research. I note the need for a full and final reply prior to 14 January, and I confirm that this will be provided when I return to the office in the New Year.

Basis of Assessment – Could Gross External Area (GEA) be used for residential developments?

In theory yes. However, we believe that there is a better case for linking the payment directly to the number of bedrooms or habitable rooms. This is the currently the case, for example, for education contributions, and, ideally, other contributions that usually flow from the expected number of people who will reside in the new development.

The profitability of developing flats is different to that for houses, and usually there are different planning needs that come from each form of development, for example open space provision or car parking. One would also need to have regard to the number of proposed dwellings for each form of development.

Whilst the GEA will be readily available on the face of the planning application. In order to assess the contribution it will be necessary to answer additional questions:

1. Is the scheme for a combination of both houses and flats? If so, one needs the GEA for the different elements
2. Is the scheme for mixed uses? If so, one needs the GEA for the residential element alone.

We do not have the floor area readily available for the schemes we reviewed in order to assess the existing s106 regime. This could be ascertained but would require assistance from yourself or colleagues in Development Control. I have therefore quickly estimated the floor areas for three newly built schemes in the town in order to see how the results compare. The results are attached.

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As is readily apparent from the table, there is a significant difference between the relationship for GEA and habitable rooms for houses and for flats, and there can be material differences within each category as a result of whether the dwellings are low or high rise, detached or terraced, have an integral garage etc. In order to get an equitable and appropriate answer, and therefore defensible, the rate per GEA would need to be refined to take account of the following:

1. Type of dwelling
2. Height of dwelling
3. Integral garage

There may be other variables that ought to be reflected.

Finally, the payment would have to be subject to a cap, otherwise there may be an incentive to build smaller dwellings with fewer amenities such as storage. This would be unfortunate given the general push by statutory agencies to ensure that new housing is built to adequate space standards.

We understand the concern about the potential difficulty as to whether a room is habitable, and needing to avoid debate with applicants. One solution would be to incorporate a definition of habitable room, including perhaps floor area or dimensions, as part of the new guidance. This is the approach at Brent. *- No it is not Best adapt per Bedroom on let with SW 04 Jan '08*

For these reasons, our view is that a charge assessed per dwelling or per habitable room is to be preferred. There is a danger also in this approach that it could skew the market, for example, by encouraging the development of flats instead of housing. We have therefore recommended that there be a cap in the payment to be made in respect of an individual property, regardless of how it is assessed, and that the Council be very mindful of the impact on land values and viability of the tariff.

What we would we recommend be the maximum charge?

Given current, uncertain market conditions and the need to ensure that the new tariff does not inadvertently cause development to stop, or become the given reason for new development not starting (even if it is not), to say how high a figure should be. We have always favoured a neutral position i.e. no higher than that payable under the existing system, save that the net is to be widened. Alternatively, there needs to be a period for transition whilst the system beds in, and, importantly, it can be demonstrated to applicants and landowners what is being delivered by the Council as a result of the new payments.

Allied to this, is the need to factor in other issues, local and national, which will all affect the viability of development. In particular, we would note

1. the proposed increase in the amount of affordable housing to be provided on site and the relative increase in the proportion that is to be social rent (this is coupled with a reduction in the threshold);
2. the deliberate, proposed timed increase in building standards in order to seek to achieve Code Level 6 by 2016;
3. forecast for an increase in general building costs;
4. Potential weakness in prices (residential and commercial) at least in the short term.

It is anticipated that both will materially impact on land values, and it remains unclear that buyers will pay a premium for higher, building standards to offset the acknowledged cost.

21 December 2007
Planning Obligations Strategy



We would also note that, for offices for example, there is prima facie no incentive for landowners or developers build them given the relative end value relative to existing costs

Our research for ODPM suggests that if the level of charge results in a reduction in the residual land value of more than 10 – 20% then there is a significant risk that it would deter development. An increase in the affordable housing requirement could, all other things being equal, lead to a reduction of 10 – 15% in site value alone. I appreciate that in due course, an increased affordable housing requirement will be the norm, but for the time being it will be seen by many in the same context as planning obligations, an unwelcome restraint and an added cost without any offsetting value enhancement.

We will report further but, in the meantime, I hope that these initial comments are of assistance.

Regards

Yours sincerely

pp CHARLES TRUSTRAM EVE
Director
For and on behalf of GVA Grimley Ltd