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Dear Simon

## PLANNING OBLIGATIONS STRATEGY – SUPPLEMENTARY QUESTIONS

I am writing further to my letter of 21 December 2007, the subsequent e mails, and our telephone conversation.

### Basis of Assessment – Market value

We have successfully fought off, on behalf of a developer, a proposal by the London Thames Gateway Development Corporation to link part of a s106 Agreement to the value of the completed properties. In doing so we took counsel's opinion on the proper interpretation of Circular 05/05. If needed I can provide more detail on the arguments made against the approach.

### Definition of Bedroom

We have yet to find a planning definition. The closest by analogy would appear to be:

1. the approach adopted by the Housing Corporation under its development scheme standards/TQI; or
2. the bedroom standard as adopted under the Housing Act 1985 to assess overcrowding and the allocation of housing to persons on the Council's housing register.

I have briefly discussed the matter with Brent Council. they have found no real problems with their approach, and point out that most applications state what the number of bedrooms are per dwelling. In the event of dispute they have supplementary planning guidance, which sets out a minimum floor area per dwelling, although it does specify a minimum size standard per room.

### What we would we recommend be the maximum charge?

I will not repeat the comments of my letter of 21 december.

As previously noted, and change to a tariff approach needs also to take into consideration other changes that may be taking place at broadly the same time and which will also have a material effect of land values/development costs.

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To our mind there are two changes identified, which need to also be factored in:

1. the increase in the level of affordable housing from 30% to c 35%, coupled with a relative increase in the amount for social rent; and
2. The requirement that all affordable housing soon be built to meet Code Level 4.

We have sought to identify the impact of these changes on the market value of the various sites, which we have used to test the question of viability. There is no reliable guide to the cost of providing Code Level 4 besides the research published in February 2007 by Cyril Sweet on behalf of EP and the Housing Corporation. This suggested that it will cost c 6% per flat and c13% per terraced house more than the cost of achieving Code Level 3. The results are attached.

As you will see, increasing the affordable housing in itself knocks back the land value by c 10-15%, all other things being equal. When coupled with an increase in the standard to Code Level 4, the effect is c 20-25%. We feel strongly, and in the absence of housing grant or other support, that many developers and landowners may be unwilling to promote schemes if there is a further reduction in the land value as the result of a deliberate policy to increase s106 payments beyond the current level, accepting that more developments will now be liable to make a payment. Clearly the impact of affordable housing will eventually work its way through, and become settled and factored into land values. In the meantime, the impact, on top of a weaker land market, could cause development activity to slow significantly.

In the current circumstances, we feel that the following figures reflect the best trade off between raising revenue and avoiding the risk of precipitating a slowdown in activity.

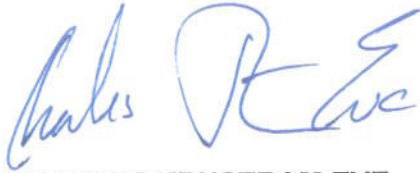
		GVA suggested Rate £ per sq m GEA	Threshold sq m GEA
Retail	Supermarket	£125	1,000
Retail	Non Food	£75	1,000
Retail	A3 - A5	£20	500
Leisure	Hotel	£500/bed	30 beds
Leisure		£8	1,000
Offices		£10	1,000
Gen. Industrial		£8	1,000
Warehousing		£8	1,000

		GVA suggested Rate	Suggested Max payment per dwelling
Flats	Studio	£1,200 per bedroom	£2,000
	1 bed	£1,200 per bedroom	£3,000
	2 bed	£1,200 per bedroom	£4,000
	3 bed	£1,200 per bedroom	£5,000
Houses	2 bed	£1,750 per bedroom	£4,000
	3 bed	£1,750 per bedroom	£6,000
	4 bed	£1,750 per bedroom	£8,000
	5 bed or more	£9,000 per dwelling	£9,000

11 January 2008  
Planning Obligations Strategy

Regards

Yours sincerely



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