

ISSUE 6 PHASING & DELIVERY

Respondent ; 170415 - David Trench CBE

EXAMINATION INTO WEST OF BEWBUSH JOINT AREA ACTION PLAN

STATEMENT – PHASING AND DELIVERY

THE URS JULY 2007 STUDY OF DEVELOPMENT COSTS AND REVENUES (CDHDCB 38) WAS ADDED TO THE CORE DOCUMENT LIST AFTER THE CONSULTATION PERIOD AND AFTER THE INSPECTOR'S PRE-HEARING. HORSHAM AND CRAWLEY COUNCILS HAVE BY MEANS OF A STATEMENT RESPONDED TO THE INSPECTOR'S REQUEST TO DEMONSTRATE ECONOMIC VIABILITY AS A TEST OF SOUNDNESS IN REGARD TO PHASING AND DELIVERY. THE STATEMENT MAKES REFERENCE TO THE ABOVE URS DOCUMENT.

IN HIS REPRESENTATION MR TRENCH SPECIFICALLY CHALLENGED THE SOUNDNESS OF PROJECT DELIVERY WITHOUT A VIABLE BUSINESS PLAN. HE ALSO EXPRESSED A WISH TO ATTEND THE ORAL EXAMINATION IN REGARD TO THESE MATTERS.

A DATE WEDNESDAY 28TH JANUARY 09 AFTERNOON HAS BEEN SET FOR THE INSPECTOR'S HEARING TO EXAMINE THIS ISSUE. UNFORTUNATELY MR TRENCH IS ABROAD ON THIS DATE. THIS STATEMENT RELATES TO MATTERS OF THE ABOVE.

13TH JANUARY 2009

INTRODUCTION

The JAAP viability appraisals use and follow much of the July 08 URS study. The recent appraisal supersedes the July document adding evidence of further research. This paper challenges some assumptions in terms of sale figures and inflation allowances. Some customary items of development cost have not been included.

BASE VALUES

McLaren Clark advise that sale prices will vary in each of the three zones . An average private housing price of £253 per sq,ft across all zones is unrealistic. Zones south of the railway will be at the bottom end of historic tables.

URS quoted revenues for affordable dwellings based on Crawley Borough Affordable Housing viability Study 2006 and HDC Planning obligations Supplementary Planning Document 2007. For some reason the JAAP appraisal has raised affordable dwelling sale prices some 60% above former levels which appeared to reflect building cost. On the basis of the URS assessment the JAAP has overvalued affordable dwelling revenue by £51M.

Zone 1 private units base values

Zone 1 is built on landfill. It comprises some 630 private units adjacent and connected to Bewbush which is a ward with the highest level of deprivation in Crawley. It has the highest level of unemployment, the lowest skill base, is 22% ethnically populated and houses a sixth of Crawley's school age children. It has a statistically high crime rate.

The remediation strategy recommends prohibition covenants in sale conveyances . This is to prevent occupiers from damaging landfill remedial measures such as the gas proof membrane. It will alert purchasers and therefore create a perception of potential problems. Projections should therefore anticipate a discounted market based on conservative figures at the low end of historical Crawley sales say £225 per sq.ft on private units rather than £253 used in the appraisal.

Zone 2 private units base values

The 360 private units in zone 2 while separated 500m from Bewbush and abutting a westerly rural setting have a higher density than zone 1. The Statement of Common Ground ensures that the west field is safeguarded at least until May 2014 to enable WSCC to fix the alignment of a Western Relief Road. So there is little opportunity to enlarge Zone 2 on the masterplan. Furthermore most of Zone 2 developable area appears to be located on unauthorised landfill as shown on the plan submitted in the Statement on Issue 1 submitted by Respondent 59423. Thus the difference between zone 1 and 2 sale prices is likely to be marginal say an upward estimate of 5%. This suggests a price at £236 per sq.ft for private units.

Zone 3 private unit base values

The 510 private units sited on virgin ground with south facing views are in a more desirable location than the other zones. Sole access for say 1200 cars over a single bridge and through Zone 1 housing estate may put off some buyers. McLaren Clark recommends an average sales figure of £258 per sq.ft for medium low density private dwellings in this zone. This higher than the average price used in the JAAP appraisal but not unreasonable. This zone will no doubt support a preponderance of the three and four bedroom houses.

Total base residential value

There are big differences to residential prices north and south of the track. 990 private units located in seriously restrained cheaper location with 510 in the more lucrative north of the track location. Averages are not the correct way to value dwellings in these circumstances. Re-calculation on the above criteria reduces the total revenue for private sales by £24.26m.

BASE COSTS

The JAAP Appraisal rates for sustainable house building are not unreasonable although there may be cost pressures due to shortages of skilled labour once out of the recession.

The costing of elements concerning preliminaries, contingency allowance, fees and management show a shortfall when applying widely used percentages to the prime cost of the works.

It is normal practice to apply the following to appraisal toolkits:

13.2% to infrastructure build costs for site prelims and overheads

1.9% of build costs for strategic planning professional fees.

5% contingency allowance on infrastructure, 106 requirements and fees.

Up front acquisition costs – option purchase and historic fees say £2m

10% of residential and commercial build costs for Production overheads, prelims, and fees related to land parcel costs.

3.5% of selling prices for Sales, legal and marketing costs.

Some of these elements have been included under a general heading of “Additional Development costs”. However there appears to be a shortfall of £10.1 (even after taking into account a JAAP mathematical error in Table 14 “total costs”.)

GROSS DEVELOPMENT CASHFLOW

The above adjustments show a base gross development cash flow of £16,399,117. Applying 20% for developer/landowner overhead, risk and profit on private residential costs and 12% (not the

20% quoted in the JAAP appraisal) on affordable unit costs then the balance after Base Developer return is a negative shortfall of £64,601,117.

The concept of developing phase 1 while remediating phase 2 is flawed because of unauthorised landfill tipping within the developable area of phase 1. In reality phases 1 and 2 will be released together after remediation and a considerable element of the infrastructure is completed. This puts a further strain on cash flow delaying early revenue from the sale of the first 600 units by possibly two years. It also throws in doubt the policy objective of completing the development by 2018. Phase 3 is accessed via Zone 1 and is therefore subject to land remediation and construction of a 13m wide bridge over an operating railway. This more lucrative Phase cannot be advanced earlier than 2015.

The financial outlay required to get to the position of developing the profitable units in Zone 3 north of the railway is too great a premium to attract necessary funding. This is exacerbated by a poor rate of return on the overall base figures made worse by six years of accumulated interest not shown in the base calculations.

The suggestion that house prices from 2010 onwards will outstrip inflation on costs by 4% year on year is optimistic conjecture. Applied to this development it ignores the McLaren Clark observations that buyers will be local and there is a Crawley ceiling to prices related to wages and available mortgages.

The Banks are going back to first principles and 100% loans of 7.8 times annual income surely will be a thing of the past. 75% loans at 2004 levels of 4.5 X annual salary is realistic until this generation has forgotten the credit crunch. Today's average annual income in Crawley households is £31,000. Consensus is that the drop in house prices has been a long overdue adjustment built on unrealistic levels of debt. While markets can over react the revival at the bottom might outstrip inflation but to perpetuate this notion through to 2019 would need practices that have caused today's financial crisis to be re-introduced.

IFIELD OPTION

The JAAP AND URS appraisals rule out the Ifield site on account of its attracting a high transport infrastructure cost of between £21m and £27m. The section 278 cost of a new roundabout and access to the west of Bewbush site is estimated to cost £8,955,000. So the transport infrastructure difference is say £15m. However the Bewbush site carries a premium of land remediation, station and bridges costing some £30m. So on costings overall the Ifield is cheaper without funding costs of a two year delay due to remediating landfill.

The Higgins Ifield site historically demonstrated values on private houses some 20% per higher than other areas of Crawley including Maidenbower. If this were matched it would produce £70m more revenue than Bewbush.

CONCLUSION

The phasing and delivery aspects of the WoB are unsound without massive changes to the Masterplan and withdrawal of many of the policy requirement set out in the JAAP submission.

To assist the Inspector, attached are spreadsheets show two Appraisal summaries for Bewbush:

- 1. Extrapolation of the material and tables in the JAAP Appraisal.**
- 2. An amended version based on criteria set out in this statement.**