Annex 2

Developer/ Consultant Meeting notes

The following notes outline the key points raised by developers and consultants in individual meetings held in June/July 2008. The comments have been split in to three groups – major house builders, small local house builders and architects/planning consultants.

It is important to note that, within each of these groupings, the views expressed are from the individual meetings. Consequently, the views do not necessarily reflect the opinions of every developer or consultant within the grouping and some opinions are conflicting.

Major housebuilders

- There is no major issue with policy, developers simply need to take it in to consideration when buying land.
- CYC policy only prevents sites being developed if landowner expectation is too high.
- CYC's strength is that the policy is applied consistently and they do not roll over when developers ignore the policy and pay too much for the land.
- The problem with the policy is misinformation from agents who are not conveying the policy correctly or the fact that it is a target.
- Developers work on profit on revenue.
- Pepper-potting is preventing development in the current market conditions as no building is taking place. If affordable homes were grouped they could start to build affordable housing.
- Competing planning requirements affect land viability and too many requirements may impact land value so landowners will not trade. This is magnified on brownfield sites.
- CYC need to determine which of these requirements is most important
    - Code for Sustainable homes?
    - Affordable housing?
    - Community infrastructure levy?
- RSS policy is a hindrance to local authorities and has no proper evidence base.
- Thresholds should not kick in at 15 units. It should start at a lower level and have a stepped gradation.
- 16% profit margin is accepted across the major builders.
- As the impact of 50% is felt it may over time become the accepted level.
- 40% is high but is arguably correct, 50% is too high.

- Smaller sites can deliver more than bigger sites as they do not have the same infrastructure costs and planning requirements. Site thresholds need to be changed to reflect this.
- Financial viability assessments should take in to account a minimum land value. This will mean that more sites will come forward as the land value will remain high enough to encourage a land owner to sell.

Smaller local house builders

- Receiving finance in the current economic climate is difficult. Funding developments has changed due to revised lending conditions. Banks also expect a 20% return on costs.
- Greenfield land is usually owned by the wealthy who will sit on the land for another generation to maximise its value. Brownfield land has a book value that needs to be achieved.
- Agents are telling landowners that schemes will not work due to CYC policy. This is the major stumbling point and the message needs to get through to agents and landowners that, if a scheme is not viable, the 50% target <u>will</u> be reduced.
- Landowners are really concerned with the capital revenue from a site, not what goes on the site.
- Landowners sell land more readily for ‘prestigious’ developments.
- Reducing the policy to 40% would not make a difference, it is still too high, and the target needs to be tiered.
- Some people do not understand the policy, and some developers feel that people should not get a house if they can’t afford it.
- Perception from a lot of people is that CYC have a 50% policy to discourage development.
- There is a clear willingness from developers to revisit the thresholds and have a sliding scale.
- Increased affordable housing impacts on the saleability of the open market value units.
- Schemes are more successful when a developer gets in to an early contract with a housing association.
- Greenfield sites are a good opportunity to have a high target but brownfield sites less so.
- 15% developer profit is acceptable and viable.

Architects and Consultants

- The building industry think that affordable housing policy should be the responsibility of the government. Although they realise planning gain is here to stay they are still going to fight it.
- Propose a sliding scale threshold which places the responsibility for affordable housing with major house builders only, the policy being triggered at 20% over 16 units in rural areas.
- There are examples of sites that are not coming forward in rural areas as landowners financial expectations exceed what it is worth with a 50% requirement.
- Although some developers claimed, at the time, that the leap from 0% to 25% affordable housing in the late 1990's could not be accommodated, many agreed that it actually could be, whereas the leap from 25% to 50% is now considered to be too great.
- A 15% profit margin is too low and CYC should allow a 25% profit margin, possibly reduced to 20%.
- It is unfair to ask small developers to carry out financial viability studies as they don't know how much a scheme will cost them and don't appraise the viability of their developments.
- Whatever CYC set their thresholds at, developers will build just under them. However, the thresholds should be 10 units with a 50% provision on units over and above that (eg 12 units = 1 affordable, 14 units = 2 affordable).
- Would like to see a sliding scale with commuted sums instead of on-site provision.
- The problem is landowner expectation rather than the policy.