

Housing Working Group: Understanding Needs of Builders and Developers

Note: This set of topics is intended for face-to-face discussions with spokespersons for firms who are involved in home building in the Bridport Neighbourhood Plan area.

The list of questions is not intended to be exhaustive; the interviewee may well provide additional information which will be useful to the study.

Note the company name, number of employees, and their connection to the Bridport NP Area.

Company Name: C.G.Fry. Total employees, including site staff: 160

Local employees: Approximately 20%

1. How do you identify and obtain building land?

- a. Rarely on the open market. We usually try to acquire land under option agreements (OA). OA's are agreements between landowners that give the developer an option to purchase the land when, and if, the developer is able to acquire planning permission. The developer takes on the responsibility of acquiring planning permission. Once planning permission has been acquired the developer pays the landowner the value of the land (at a lower price than open market as the developer has gained planning approval etc.) C.G. Fry appraises land for possible future purchase many years in advance (5-10 years typical). OA's are usually agreed through land agents working on behalf of landowners. Occasionally landowners approach Fry's directly.

2. Viability: What factors make a viable development (or what factors will put you off)?

- a. This is the "hottest potato" in the developer/planning process. Concerning social housing schemes Housing Associations often bid lower than construction costs making it very difficult to provide a policy-compliant percentage of affordable housing without threatening scheme viability or providing a competitive return for landowners. For developers to include social housing in their developments, the shortfall has to come off the price offered to the landowner. Landowners will not sell their land at considerably lower than market value.
- b. **Is there a maximum or minimum size of development for your business?** No. C.G.Fry have projects between 1 - 1000 units
- c. **How is building a new development financed?** Always by bank loan the construction industry is "debt based". Developers have to take out bank loans to proceed with development projects. "All the time we hear – you developers are in it only to make profits". However, developers have to take the risk and re-coup the money they've borrowed / pay their staff/build their business in order to thrive.
- d. **What particular constraints do you work under from Local Authorities and financiers which can become difficult?** Significant constraints usually due to policy changes, particularly ad hoc changes to policy (where policy includes uncertainty; e.g. introduction of space standards / the code for sustainable homes – this was non mandatory LA's could adopt. - now it has been split up. Government has swept away non mandatory guidance as a result of the Housing Standards Review (3 years ago) this group should read it !). Political constraints - (local political constraints e.g; planning approval for an allocated site in a local plan for 340 houses was recently refused at the last minute; this is often influenced by changes in the balance of power within local councils as a result of democratic elections). Another example is Starter Homes - these were supposed to be sold to 1st time buyers with 20% discount off market value (how do you benchmark market value? was never put into regulations) there was a cap on £250,000.

White Paper this week has largely reduced numbers...a local authority might decide to insist on Starter Homes but now such a decision is entirely discretionary."I cannot remember a time before this when there was so much change a turbulent 5 years in terms of policy initiatives... Starter Homes and Right to Buy are of no consequence to our business now since the government White Paper that came out last week".

3. Profitability: how do you decide what types/sizes of open market houses to offer?

- a. This is largely dependent on market appraisal for each area. Who can afford what price in each area e.g; A development in Chickerel would be lower price and size per unit than a development in Bradford-upon-Avon where income per capita is higher. So it depends on the local population/income expectations/ local house prices. Basically it is worked out on land value. Gross development value = how much can you sell each unit for – this is worked out £ per sq ft. E.g; Chard= £210 per sq. ft. / Bridport= £300 per sq ft.
- b. **and how does that link to the “affordable” quota imposed by the Local Authority?** “There isn’t really a link between open market mix choices and the affordable quota as the latter is subject to WDDC policy and requirements (itself subject then to the viability issue).” N.B. As a result of last week’s White Paper it is uncertain which, if any, ‘quotas’ from Local Authorities will be imposed as they are now discretionary.
- c. **What is your consultative process?** As early as reasonably possible. Fry’s do a lot of community liaison as soon as they can in the process. Try to have events and workshops...but only after the option agreements are in place.
- d. **Is it customary to make adjustments as the job progresses, for example to the type or number of dwellings or the services and amenities in a development?** This depends, but changes at any stage throughout the process are not uncommon. E.g. if community decides it wants another G.P. Practice that would affect the land value and therefore have either to be passed on to land owner or restrict number of units constructed, or units sold at higher price etc. Infrastructure requirements, ground conditions/piling etc, upgrading utilities, might all be considered as necessary changes at some point in a development project. And of course these could increase costs and therefore pricing.

4. Climate Change considerations: to what extent will you try and make houses low-carbon both in construction and in ongoing energy consumption?

- a. Most developers will simply build to the regulations, otherwise they are at a competitive disadvantage. “However, the current Building Regulations do expect us to build to fairly high environmental performance standards anyway.”
- b. Occasionally a customer will request specifically low carbon construction and that can be delivered (if they can meet the additional costs involved). For example we are currently developing a site for Exeter City Council that specifically meets Passivhaus standards (this includes using solar gain as an important feature of the design.)

5. What technologies of energy reduction do you consider practical?

- a. We take a “Fabric First” approach (generic term for this approach) Rather than using specific ‘eco’ methods we prefer to build a house well in the first place, with particular emphasis on air tight construction / insulation using traditional methods. “Insulation and leakage can both be addressed using traditional building methods”.
- b. A ‘Passivhaus’ is more expensive per square metre to construct. “because the construction materials/techniques are not standardised”...so if Bridport were to ask for a passive house development? “It would be even more costly” - so Neighbourhood Plan might be advised to prove this wrong, if such a suggestion were included in final proposal? “Yes”.

6. Technical: How are technical construction standards changing and are there any which should be actively promoted by the NP? Conservative/innovative?

- a. We don't consider modular (factory constructed units) have proved themselves to be any more cost effective than traditional building methods. In the UK at least.
 - b. We are nearer the conservative end of the scale.
- 7. "Starter Homes" and "Right To Buy": how has the recent change in government emphasis affected your business? For these homes do you decide what sizes of homes are to be built by examining local wages, unemployment levels etc., do you work to a formula, or are the numbers imposed on you?**
- a. Starter Homes - were supposed to be sold to 1st time buyers with 20% discount off market value (but how do you set benchmark market value? this was never put into regulations) there was a cap on £250,000. White Paper this week has potentially reduced numbers:-
 - b. "The consultation proposals for Starter Homes set out that it would be a mandatory requirement, but the recent White Paper suggests it will now become discretionary and we don't think, therefore, many Councils will take it up."
- 8. Social: What steps do you take to liaise with the community before building a new development? What measures are taken to ensure that the development is 'compatible with' the local natural and built environment, and the community's housing needs?**
- a. currently all our sites have affordable housing (rent/shared ownership at local plan policy levels)) e.g; 35% sometimes it is less/more.
 - b. **Are there ways in which the local community could help the developer in a proactive way?** "Neighbourhood planning often doesn't work because it needs expertise, NP group needs to be aware of the housing white paper that came out this week"
- 9. Housing Association contracts: How much of your business involves building properties which will become social rented housing? Social Rental housing in West Dorset - None — because WD's policy is to accept affordable rent i.e. 80% of local market rent.**
- a. **Do you welcome this business, or is it a burden?** "only in the sense of delivering affordable housing in terms of a burden on the land value. In other respects we welcome it, it means you've got good cash flow - business and commercial advantages. Staged payment we get from HA's are beneficial in cash flow terms."
- 10. Local labour: Do you have a policy regarding use of local tradesmen during construction?**
- "Yes, but only if they hold authenticated construction card, they have to be appropriately trained and accredited."
- If training for employment were linked in to the NP would you be in a position to support training programmes?** "We'd probably support existing training schemes such as the one at Weymouth College (although we find that many young people are not interested in going into the construction industry). Obviously we could take apprentices"