

Survey Results: Understanding Needs of Builders and Developers

10th February 2017

A questionnaire was developed to be presented by personal interview to a variety of builders and developers selected from those active or potentially active in the NP Area. Invited to participate were:

- A P Chant: local business trading as CHG South West Ltd, 49 employees.
- Castle: local family business. **Declined to take part.**
- C.G.Fry: expanding and influential medium/large local builder and developer.
- Hallam Land Management: National land developer, 30 employees / 7 offices, influential locally through having negotiated to develop the large Vearse Farm site.
- Mac Builders: Local builder employing probably around 20. **Declined to take part.**
- Persimmon Homes: national scale house builder.
- Taylor-Wimpey: national large scale house builder. **Declined to take part.** (No immediate plans to build locally).

In most cases it was not possible to get direct answers to the questions put which were on the topics of obtaining land, viability and profitability, climate change and technical specifications, “affordable housing” schemes, community involvement, housing associations and using local labour: nonetheless the responses were useful.

Refer to the survey document for the full questionnaire text.

1. A P Chant

(May 2016, interviewed by D.Knorpel)

Climate change: “we aim to make properties as sustainable as possible to minimise carbon footprint”.

Technical: “we need to be innovative but also need to have some caution as the technology employed needs to be viable and proven. We look to use examples & experience from other countries, but this has to be suited to our climate locally”.

Building low-cost housing: “as a business we need to employ young people who can afford a local home and start a family”.

Housing Association business: “40% of our business is in the social rented housing sector. Ashley Chant welcomes this business and recognises and values the importance of social rented housing for the local community and economy”.

Additional comments:

- a) “The housing market needs to be ‘affordable’ for local young people to have viable careers and long-term futures in the area”.
- b) “From a business point of view an ageing population means good business for our company. However, the area and community need a balanced population and accessible housing market in order to retain young people”.
- c) “A good local business needs to train and retain young recruits in order to sustain a strong business ethos. This is extremely difficult when young people are forced out of the area by the unaffordability of basic housing”

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2. Hallam Land Management

(21 July 2016, Lawrence Dungworth, Development Surveyor, interviewed by Glenn Crawford)

Finding land: Areas of interest are driven by Local Plans which show where developments would be encouraged by Local Authorities. The bigger the house allocation, the more interesting. In case of Vearse Farm, the landowner appointed Savills as agent, who contacted Hallam.

Viability: hard to assess in advance, as their profit is a percentage of land sale. Most greenfield sites are viable, brownfield may not be. Govt loans often available to bridge gap between heavy infrastructure spending and subsequent income from land sale to builders. If infrastructure costs too high, affordable homes may be cut back, e.g. Ferndown where 50% requirement was reduced to 42% following higher than expected Green Space costs.

Types/sizes houses: comes from SHMA. Neighbourhood Plan would not be expected to alter that.

Climate Change and Technical Standards: Hallam are not the builders, they can do no more than work within nationally applied standards. They note that exceeding them, e.g. “Code 5” and “Code 6”, is expensive and at a time of high demand and low supply, of little interest to buyers.

Starter homes, Right to buy: have not yet had any impact.

Public consultations: Ideally facilitated by Local Authority planning dept, as in West Dorset.

Housing Association contracts, and local labour content: this is the builders’ area. Noted that most national builders have a policy of using 50% local labour.

3. Persimmon Homes

(18th May 2016, interviewed by R.Freer)

“How do you identify and obtain building land?”

There are many ways in which future development sites may be identified. In some cases land is offered to us either by the registered land owner or a land promoter; in other instances we complete settlement surveys which identify potential future areas of growth. Local Authorities can assist developers by maintaining an up to date SHLAA and development policies. Persimmon Homes also likes to be involved from an early stage, of any emerging Neighbourhood Plans or localised policy.

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

A number of basic constraints can often result in a site becoming unviable due to abnormal costs; this may include: no obvious points of access, required affordable housing percentage, the site having a challenging topography, the site having a history of contamination or the site being within a flood zone etc. A number of factors can account for a site becoming unviable which may be imposed by the Local Authority, however early and on-going discussions often lead to a scheme that is both viable and fulfils most of the requirements.

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

The amount of ‘affordable housing’ provided and the tenure split within a scheme is often dependant on local and national policy, and whether the proposed scheme is viable. Often, the Local Authority will have a preferred housing type/mix dependent on the settlement.

Climate Change considerations: “to what extent will you try and make houses low-carbon?”

At Persimmon we believe that homes should be sustainable by being inherently efficient in their design and construction. By reducing the manufacturing time and using sustainable manufacturing processes, Persimmon now generate over 60% less CO2 emissions than older existing homes. Persimmon new homes use considerably less water during construction than

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conventional building methods, something as simple as this can result in a more environmentally friendly scheme.

Social: “What steps do you take to liaise with the community before building a new development?”

Early communication with the LA, ward members, the Town Council and local residents is very important, as it allows for a better understanding of the situation. Frequent meetings often results in a development that both the developing company and local residents can be proud of. Often several consultation events are organised at various stages of a planning application; the purpose of such an event is to openly communicate with local residents. The best way for a local community to get involved is by attending these consultations and giving feedback.

4. C.G.Fry

(10th February 2017, interviewed by E.Streeter)

How do you identify and obtain building land?

Rarely on the open market. 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.

Viability/Profitability:

Housing Associations often bid lower than construction costs making it difficult to provide a policy-compliant percentage of affordable housing without threatening scheme viability or providing a competitive return for landowners.

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.

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.

Community Consultation:

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.

Design changes could occur at any stage throughout the process, they are not uncommon. E.g. if a community decides it requires 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,

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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.

Climate Change

“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.”

Occasionally customers will request specifically low carbon construction and that can be delivered (if they can meet the additional costs involved). For example, Fry’s 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.)

(4. C.G.Fry Climate Change continued.....)

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”.

An Eco build is more expensive per square metre to construct. “ because (they believe) the construction materials/techniques are not standardised” . “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.”

Social Housing

than To include social housing in any development, the shortfall has to come off the land price negotiated with the landowner. (Landowners will not sell their land at considerably lower market value.) C.G.Fry have projects between 1 - 1000 units. Developments are always financed by bank loan; the construction industry is “debt based”. Developers have to take out bank loans to proceed with development projects. “currently all our sites have affordable housing (rent/shared ownership at local plan policy levels)) e.g; 35% sometimes it is less/ more. However, the recent Housing White Paper brings into question whether many local authorities will wish to pursue this. It is not a burden to our business to include or provide social housing however, it can become a burden in terms of land value negotiations In other respects they welcome it, “it means you’ve got good cash flow - business and commercial advantages. Staged payments we get from HA’s are beneficial in cash flow terms.”

Constraints

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) . Government swept away non mandatory guidance as a result of the Housing Standards Review (3 years ago) . Also 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). Starter Homes - these were

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supposed to be sold to 1st time buyers with 20% discount off market value (but how do you benchmark market value? was never put into regulations) there was a cap on £250,000.

”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 little consequence to our business now since the government White Paper that came out last week”. (D. Lohfink)

Using Local Labour

Happy to use local labour but all employees have to be appropriately trained and hold the appropriate qualifications and authenticated construction cards. Approximately 20% of employees are local to the area. In all, there are 160 employees, including construction staff.

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