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31 March 2010

Dear Sirs,

I am instructed by the Asbri Planning Consultancy to provide valuation and development appraisal advice and comment on any constraints to deliverability within the LDP plan period of the Bedwas Land Reclamation scheme and the proposed afteruse.

I am a Chartered Surveyor elected as a Member of the Royal Institution of Chartered Surveyors in 1989. Since becoming a qualified surveyor I have worked for both public and private sector organisations.

My employment experience is set out below :

From 1991-1996 : I was a Senior Valuer with Mid Glamorgan County Council undertaking Compulsory Compensation cases arising from new County Highway Schemes. I was also responsible for preparing annual valuations of all the County Councils land and property interests.

From 1996-2004 : I was Section Head of Property Information and Review at Caerphilly County Borough Council. My responsibilities included the review of all operational and non operational land and buildings with a remit to identify any surplus land and buildings that could be declared surplus and sold to realise capital receipts. I had to undertake development appraisals and provide valuation advice to the Council prior to land or buildings being declared surplus and sold.

On two separate occasions development appraisals were undertaken by me of a post reclamation Bedwas Colliery Scheme. The purpose was to provide the Welsh Assembly Government with an indication of the level of Capital Receipts that could be generated from Residential land sales at this site.

From 2004-2008 : I was Asset Manager at Torfaen County Borough Council responsible for preparing a Property Asset Management Plan and its subsequent implementation.

From 2008 – Present : I am employed as a Chartered Surveyor with R.E. Phillips and Partners, a firm of Chartered Surveyors specialising in providing advice to clients on Commercial and residential Property Development in both South Wales and the South West of England.

Bedwas Colliery Reclamation scheme.

I have studied Caerphilly CBC reports and submissions relating to the Bedwas Colliery reclamation scheme and proposed after use LDP ref HG1.64 .

To ensure deliverability within the proposed plan period years 2006-2021 there are two requisites

- * the scheme needs confirmed funding
- * land required for the scheme reclamation needs to be in single ownership.

In my opinion the Reclamation scheme requires the site assembly into one public ownership. At present I am aware of at least six different land owners : Terex, Forest Enterprise, Mr. B. Evans , The Thomas Davies Estate, Sustrans, Caerphilly CBC. Without the use of compulsory purchase powers it will be extremely unlikely that development will ever happen on this former colliery site. The LDP documentation give no indication of either Caerphilly or WAG's intention to commence CPO procedures.

If funding of some £18,000,000 (Caerphilly County Borough Council's estimate of reclamation costs) were to become available for the reclamation works the process and timescale for scheme deliverability would be as follows :

1. The Local Authority would have to make a cabinet resolution to make an application to the WAG for a Compulsory Purchase Scheme. This Process takes about six months as land has to be referenced, plans drawn up, public notices placed on the land and reports prepared and approved by Cabinet. This initial process has not happened since Caerphilly CBC was formed or during the relevant predecessor authority lifetime as there has never been confirmed WDA funding , WAG funding or European funding in place to enable the compulsory purchase scheme process to commence .
2. The application to WAG can take upto 12 months before the minister considers the application and makes a decision to either proceed with the process or refuse the request.
3. This is a controversial Scheme so it is likely that there will be a public inquiry. In my experience an inquiry is unlikely to be held any earlier than 3 months after the Minister's decision to proceed with a Compulsory Purchase Scheme. It usually takes at least another 3 months after an inquiry before the decision of the Inspector is received to either recommend a Compulsory Purchase Scheme or refuse one.

4. For the Whole Process described in paragraph 1 - 3 above there is a lead time of between 18 months -24 months that has to be factored into the whole project deliverability timetable.
5. If scheme funding were confirmed by WAG the Engineering Design phase of the reclamation contract, tender process and obtaining all relevant statutory consents could be worked up during the first two years of the project alongside the CPO procedures.
6. Scheme reclamation works are indicated as a two year period in Caerphilly CBC plans. This would then leave six years to build out the 630 units.
7. Using the most optimistic scenario there is a minimum four year period from when notification of actual funding is received before a reclaimed site could be available for development.

Post Reclamation Scheme - Development Land Values.

The following assumes that a reclamation and site remediation Scheme has been completed and that the former colliery surface is available for development in accordance with the planning policies set out in the LDP. The policies are summarised below.

HG1.64	Housing 630 units of which 40% affordable housing
CF1.34	A primary school 230 pupils
LE4.11	Playing pitches
TR7.3	New Distributor Access Road
LE2.2	Bedwas Community Park

With regard to the Private Housing this equates to 378 units. Analysis of past building rates in Caerphilly suggest that any of the major national house builders will work to a program of sales of approximately 30 units per annum on any one particular site. In view of the house builders' increasing reluctance to build and compete with each other on the same site it is quite feasible that the site would have to be packaged and sold on a sequential basis with final completion of the last private sector house taking place some twelve years after the completion of the first house. This rate of development could push the whole plan including the reclamation phase out to a sixteen year programme.

Comments on Appraisal

I have undertaken a residential development appraisal of a 630 unit scheme 40% of which will be affordable housing. The Section 106 requirements have been calculated to be £ 9,759,400. For Clarity the S106 figures used are.

TR7.3	New Distributor road to the Site	£1,500,000
CF1.34	Primary School	£5,000,000
LE4.11	Playing Pitches	£250,000
	Associated changing Facility	£250,000
	Roof tax 378 private units.	£2,759,400

I have assumed a residential scheme of 378 private units the other 252 units being the 40% affordable units.

There are three types of Affordable Housing

1) Homes For Rent

These will be built by developers and transferred to Housing Associations for purchase figures which equate to approximately 50% of the actual build cost to the developer.

I have allowed for 25% of the Affordable homes to be Homes For Rent. The cost to the developer will be £5,884,275 the income received will be £2,327,039. Therefore the cost to the scheme will be (£ 3,557,236).

2) Social Housing Grant Homes

These are Housing Association Houses whereby WAG make available 58% of a cost figure as set out in the Acceptable Cost Guidance tables. There is still a cost to the developer but proportionately less than the homes for rent. I have worked on 50% of the affordable homes being Social Housing Grant funded. This will require a Grant of £10,254,354 being made available from WAG. Even with the grant there is still a cost to the developer. Cost to build SHG homes £11,768,550 less SHG £10,254,354. (£1,587,846)

3) Shared Equity Low cost ownership

These are for first time buyers while they reduce a developers profit they do not require a subsidy and do produce a positive land value to help offset the costs of Homes For Rent and Social Housing Grant homes. I have worked on 25% of the affordable homes being shared equity low cost starter homes. The shared equity scheme will produce a positive receipt of £2,415,000.

Overall Cost of Affordable Housing (£2,656,415)

The Gross Land Value of 38 acres of remediated land with the benefit of planning permission at the Bedwas Colliery Site will be in the order of : £ 19,545,000

Less costs of S106 requirements	£ 9,759,400	
Less Affordable Housing Costs	£2,656,415	
Land Value available for repayment to WAG	<hr/> say	£ 7,130,000

This assumes a high level of SHG grant £10,254,354.

In order for the scheme to deliver Capital Receipts to repay some of the £ 18,000,000 land reclamation grant very high levels of Social Housing Grant are required from another arm of WAG. If no Social Housing Grant is made available for the Bedwas scheme there can be no capital receipts from the scheme as the land value identified above as £7,130,000 would have to be used to provide the affordable housing.

Constraints to actual deliverability.

1. Grant Funding and the timing of funding. After the next election there is a consensus that the Public Sector will face four years of financial austerity suggesting that no more funding will be made available for the first half of the plan period . If funding were to be confirmed sometime in the second half of the plan period there would have to be a four year lead period before the reclaimed land could be made available for development. No evidence has been submitted to confirm that the reclamation works will occur during the plan period.
2. In my opinion any capital receipts from land sales will be very much dependent upon the availability at a future date of Social Housing Grant for the Affordable Housing element of HG1.64. When allocating grant for reclamation works relevant officers in WAG would have no way of knowing whether any capital receipts would be generated from the land sales. The long lead time of the reclamation scheme would preclude knowledge of SHG funding availability 4 – 5 years in the future. This uncertainty could simply rule out the scheme for funding. It has been stated on a

number of occasions by Caerphilly CBC that schemes with afteruse that generate capital receipts are treated far more favourably than those that do not, when reclamation grant is awarded.

3. The existing Dwr Cymru, Transco, WPD infrastructure that the new homes will connect into require some upgrading. Caerphilly CBC are expecting the residential developers to pay for these unquantified offsite infrastructure upgrades. This produces more cost and timing uncertainty as no cost information is available.
4. There appear to be no figures for land acquisition in any of the Caerphilly CBC reclamation scheme costs.

Conclusions

In my opinion there is unlikely to be any real progress towards an actual land reclamation scheme until a firm commitment from WAG to fully fund a reclamation scheme costing in excess of £18,000,000 is given.

If Funding is confirmed during the second half of the plan period there would be a minimum lead time of some four years before a residential build out program would commence. The residential phase could take up to 12 years to be completed.

In order for developers to comply with the S106 costs, the 40% affordable housing requirement, the roof tax, and the unknown availability of future Social Housing Grant a reclaimed site may not return any Capitals Receipts to WAG.

The above conclusions may explain to some extent why the Former Bedwas Colliery site has remained dormant throughout the lifetime of Caerphilly County Borough Council.

Yours faithfully,



pp R.E. Phillips & Partners

Asbri Planning Ltd.,
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SITE NAME Bedwas Colliery 630 units.
38.00 acres net **40** per hectare

Input figures into blue cells only

Type	Sq ft	Total	PRIVATE	SOCIAL
			60%	40%
2P 2B House	675	150	90	60
3P 2B House	750	160	96	64
3P 3B House	825	107	64	43
4P 3B House	1000	162	97	65
5P 4B House	1400	51	31	20
		630	378	252

7,129,485 land value
187,618 per acre total

492,855 per acre clean

PRIVATE INCOME		Sq ft	No.	Sales price £ sqft	£'s	Total £'s
1P1B	Flat	500	0	0	0	0
2P 1B	Flat	600	0	0	0	0
2P 2B	House	675	90	200	135,000	12,150,000
3P 2B	House	750	96	200	150,000	14,400,000
3P 3B	House	825	64	200	165,000	10,593,000
4P 3B	House	1000	97	200	200,000	19,440,000
5P 4B	House	1400	31	200	280,000	8,568,000
			378			
						65,151,000 GDV
PRIVATE COSTS		Sq ft	No.	Build cost £ sqft	Build cost per unit	Total build cost
1P1B	Flat	500	0	0	0	0
2P 1B	Flat	600	0	0	0	0
2P 2B	House	675	90	100	67,500	6,075,000
3P 2B	House	750	96	100	75,000	7,200,000
3P 3B	House	825	64	100	82,500	5,296,500
4P 3B	House	1000	97	100	100,000	9,720,000
5P 4B	House	1400	31	100	140,000	4,284,000
			378			32,575,500
Roof tax		£2,759,400	TR7.3	£1,500,000		0 estimate
CF1.34		£5,000,000	LE4.11	£500,000		0 estimate
Total S106 costs						9,759,400 estimate
Sales & marketing			3.0%	of GDV		1,954,530
Finance - Borrowing cost				0.0%	year(s)	
Arrangement fees				0	per unit	
Developers profit			17.0%	of GDV		11,075,670
						55,365,100 costs
						Land value 9,785,900

SOCIAL INCOME		Sq ft	No.	Rent £pw	Total £pw	Total £pa
RENT	2P 2B House	675	60	60.00	3,600.00	187,200
	3P 2B House	750	64	61.61	3,943.04	205,038
	3P 3B House	825	43	70.00	2,996.00	155,792
	4P 3B House	1000	65	72.04	4,668.19	242,746
	5P 4B House	1400	20	80.30	1,638.12	85,182
			252		Gross rent	875,958
	Less management costs		say	450	per unit	-113,400
	Less repairs/maintenance		say	400	per unit	-100,800
	Less voids/bad debts		say	1.5%	of total £pa	-13,139
	Less sinking fund		say	450	per unit	-113,400
						Net rent
YP perp @ 5.75%						17,391
25% HFR						9,308,155
						2,327,039
EQUITY				Market Value £'s	Equity Sold £'s	Total £'s
2P 2B House		675	60	135,000	114,750	6,885,000
		750	64	150,000	127,500	8,160,000
		825	43	165,000	140,250	6,030,750
		1000	65	200,000	170,000	11,050,000
		1400	20	280,000	238,000	4,760,000
Less 10% GDV for sales & marketing and Dev profit						36,885,750
						8,299,293
SHG				100% ACG	58% ACG	ACG + RSL %
2P 2B House		675	60	120,000	69,600	4,176,000
		750	64	127,200	73,776	4,721,664
		825	43	140,000	81,200	3,475,360
		1000	65	159,800	92,684	6,005,923
		1400	20	180,000	104,400	2,129,760
50% SHG						20,508,707
						10,254,354
SOCIAL COSTS		Sq ft	No.	Build cost £ sqft	Build cost per unit	Total build cost
2P 2B House		675	60	100	67,500	4,050,000
		750	64	100	75,000	4,800,000
		825	43	100	82,500	3,547,500
		1000	65	100	100,000	6,500,000
		1400	20	100	140,000	2,800,000
252						21,697,500
Roof tax £7,300						1,839,600
						20,880,685
						0
						0
						Affordable housing costs -2,656,415

TOTAL 7,129,485