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From: Malcolm Thorpe [REDACTED]
Sent: 16 May 2017 08:44
To: Chick, Russell
Cc: Perera, Wendy; Gard, Ben
Subject: Bembridge Harbour Regeneration Planning - P/00637/14

Dear Mr Chick,

I am well aware of various comments and subjects raised by the Harbour Trust during the past 15 months [following the resolution to grant planning consent on 01/12/2015] that deserve a response as their comments are either incorrect and/or unjustified and I wish to take this opportunity of correcting the same.

A further email follows where I have requested it is redacted to be published on your planning portal due to commercially sensitive information contained in the same.

The Resolution of 01/12/2015 states "That the application be approved, subject to the inclusion of a Section 106 condition relating to an initial period of local marketing". I have arranged for a separate paper to be issued from our planning consultant - Peter Weatherhead Planning Consultant on such matters.

In no particular order, I detail my comments on the various subjects raised by BHT:

BHT:

They have submitted various reports to undermine the Harbour's management based upon the conclusions BHT reach. Their comments are totally unwarranted and unnecessary. Whilst I have no issues with the sources from whom they obtain such information, BHT manage to make assumptions and reach conclusions that are totally incorrect, misleading, unbalanced and irrelevant to this planning application.

Circa two years ago the chairman of BHT stated they would have no discussions with the Harbour business concerning this application and the LDC application for the houseboats; they have continued with this negative stance on both subjects.

BHT have ignored all financial capital and maintenance investment into the Harbour from December 2011 onwards – they completely ignore the original acquisition costs of individual assets in December 2011 - and quote incorrect figures and facts at all times within their resulting misleading assumptions.

Houseboat sales proceeds:

BHT has quoted incorrect figures of the sales of houseboats. Below is set out in detail the correct net proceeds of sales achieved from houseboat plots by BHIC and the date when the sales were completed.

Please note that when we purchased the Harbour in December 2011, each and every asset was appraised on a cost purchase basis – all vacant houseboat plots were appraised at 25% of the perceived sales value. There is also an appropriation to Bembridge Investments Limited for the car parking space of £2,500 per space per houseboat plot on a 99 year licence on land owned by this company.

Plot 16:	Date of sale completion:	12 th July 2012.
	Sale price	£112,500
	Less:	
	Legal fees + costs	£2,452
	BIL parking space	£2,500
	Original acquisition cost	£30,000
	Net proceeds	<u>£77,548</u>
Plot 20:	Date of sale completion:	07 th April 2014.
	Sale price	£87,501
	Less:	
	Legal fees + costs	£6,972
	BIL parking space	£2,500
	Original acquisition cost	£30,000
	Net proceeds	<u>£48,029</u>
Plot 23:	Date of sale completion:	30 th September 2014.
	Sale price	£115,000
	Less:	
	Legal fees + costs	nil
	BIL parking space	£2,500
	Original acquisition cost	£30,000
	Net proceeds	<u>£82,500</u>
Plot 32:	Date of sale completion:	05 th October 2014.
	Sale price	£12,000
	Less:	
	Legal fees + costs	nil
	Original acquisition cost	£3,000
	Net proceeds	<u>£12,000</u>

Capital and maintenance investment:

Since the date of purchase of the Harbour in December 2011, we have made consistent investment into capital and maintenance projects; this has included the purchase of new pontoons and reconstruction of existing pontoons, new engines for both Harbour taxis, purchase of new mooring chain and buoys and existing maintenance, reconstruction of a Harbour workboat and engine, works truck bought, PMSC, dredging costs and new management and electronic systems. The breakdown figures below are exclusive of vat on an annual basis:

	New pontoons Dredging	Taxi / workboat	New moorings	PMSC	
01/01/12>31/03/13	189,528	4,218	30,847	15,063	195,010
01/04/13>31/03/14	28,019	8,299	4,110	8,494	114,536
01/04/14>31/03/15	1,887	9,426	3,230	5,766	199,451
01/04/15>31/03/16	2,786	4,172	8,382	2,553	195,360
01/04/16>31/03/17	[accounts currently with our accountants]				

Total investment costs per year:

01/01/12>31/03/13	434,666
01/04/13>31/03/14	163,458
01/04/14>31/03/15	219,760
01/04/15>31/03/16	213,253
01/04/16>31/03/17	<u>[as above]</u>
	£1,031,137

The figures below compare the net proceeds of sales from houseboat plots to capital and maintenance investment per annum:

	Houseboat plot net sale proceeds	Capital/maintenance investment	Shortfall.
01/01/12>31/03/13	77,548	434,666	-357,118
01/04/13>31/03/14	nil	163,458	-163,458
01/04/14>31/03/15	142,529	219,760	-77,231
01/04/15>31/03/16	nil	213,253	-213,253

The above schedule clearly identifies that our capital and maintenance investment programme within the Harbour has always been substantially in excess of any net revenues raised from the sale of houseboat plots. This commitment was originally created by our own financial investment into the Company at the date of purchase.

Houseboats – Lawful Development Certificate / Subsequent planning application:

This application, as yet to be determined, is to establish the number of boats that meets the LDC's criteria over the past ten years and is not relevant to any subsequent planning application. No value accrues from this application.

The issue of an LDC enables us to apply for an outline approval for 7 infill houseboat plots within the existing houseboat area; although we will apply for 7 x infill plots, I am sure that through lobbying by BHT this figure will be cut, for no apparent reason, but to still hopefully achieve at least 3 new houseboat plots [– if we are lucky].

From the sale of these new plots, we will then be able to design, supply and fit sewage plants and systems in those houseboats that do not have any such systems currently in use [we believe this could amount to 23 or 24 houseboats without such facilities]; this process could take 2 or 3 years to complete installations.

Based on figures given to us for the houseboat Samphire [Mr J Gully] such an installation costs in the region of £3,750/4,000 plus commercial labour rates and design input, say £5,500 per houseboat plus 15% contingency. VAT is more than likely an issue that cannot be reclaimed – hence we anticipate total costs in the region of £150,000 to £180,000.

We are aware of Central Government guidance policy regarding houseboats and the benefits that can accrue from the same where houseboats are to be encouraged to meet the demands of the lower end of the housing market.

If we can achieve a minimum of 3 x new houseboat plots to enable us to supply and fit this new sewage plant, from using the sales figures achieved already:

Individual houseboat plot sale figure: £115,000 [average]

Less:

Legal fees + costs	£4,000
BIL parking space	£2,500
Original acquisition cost	£30,000
Net proceeds	<u>£78,500</u>

The result is:

Total net proceeds of 3 x £78,500	235,500
less return on sales [same as for regeneration housing sales] of 20%	52,000
less sewage plant installation costs [as above]	<u>180,000</u>
Surplus funds:	£3,500

Should we be able to achieve a greater number of additional houseboat plots, our forward plans for such surplus money is in two directions:

- 1 We have received an approach from the Bembridge Harbour Users Group which is being shadowed by BHT to allocate funds to carry out maintenance on the Bembridge groyne; such repair work will require substantial funds.
- 2 As can be seen from our dredging cost figures in excess of £700,000 in total, we are keen to purchase our own dredging plant – the capital cost has been earmarked as between £200,000 and £400,000. Together with ecological and commercial reasons, the available windows for dredging are very restricted and we need to be far more flexible in how and when we can dredge.

I am prepared to commit through a Section 106 Planning Agreement all such surplus funds to groyne / dredger purchase purposes for the Harbour as part of any planning permission. But this route forwards is subject to an acceptable planning approval which will probably take some years to achieve – hence it should not be taken as a ‘given’ at this stage of our Regeneration Planning.

‘Supposed’ Ancillary Houseboats:

BHT has attempted to show that there are 3 boats that have been berthed on Selwyn pontoon that should come within the criteria of houseboats – namely: Vida, Adelina and Newclose.

BHT is totally incorrect on their facts; as the chairman of BHT [Mr J Gully] states he is also chairman of a houseboats association in the Harbour and lives in a houseboat, I believe that he is fully aware of this situation anyway.

Boats moored on Selwyn pontoon are either visiting boats or boats moored for an allocated short period of time due to the pontoon being exposed during winter storms. Their terms of berthing are based on a monthly standard tariff charge up to a maximum of 12 months at a time. They have no security of tenure, no car parking and no permanent connections to services from statutory authorities. Other than the quantum of berthing fees, they are on identical terms to any boat, whether visiting or longer, that is berthed in the marina, on Fishermans pontoon or on Selwyn pontoon.

For example, Adelina moves from a 6 month summer berth on Selwyn pontoon to a 6 month winter berth on the Duver pontoon – under her own steam.

Newclose is currently absent from the Harbour undergoing a comprehensive refit and may return.

Vida is staying in the Harbour for possibly another few years; she came from the Thames River at Richmond where she had been berthed for several years. The true joys of owning such a boat quite honestly.

As regards houseboat plots, they are allocated on a 99 year formal licence to a houseboat owner – their plot has boundaries plus ‘dry’ land area fronting Embankment Road, their licence stipulates conditions as regards animals, overall sizes, car parking allocation, they also connect to statutory authorities services and they pay a ground rent of £100 per annum. Some owners occupy them as their sole residence – some let them out – some use them as holiday bases.

In summary – the 3 x houseboats Vida, Newclose and Adelina have not been and are not berthed on any terms that fit the houseboat plot model.

DVS Report:

The District Valuer Services have been instructed by the LPA at the request of the Harbour Trust to provide independent valuation and financial advise to the LPA on the financial appraisal provided by us as the applicant as part of this planning application.

We have examined and reviewed their report dated 06/04/2017 and consider that the overall result and conclusions are very much in line with the financial appraisals that we have supplied; we accept the DVS report and its conclusions.

Mr Peter Griffiths:

Mr Griffiths’ was employed at IOWC and as part of his duties was to review financial appraisals; he constantly advised me representing the applicant that for enabling development purposes, the viability appraisals that I submitted were not demonstrating a sufficient return on the overall project to justify an application within the enabling development rules.

For example, below are extracts from 2 x emails from Mr Griffiths:

- a. “Therefore having analysed the scheme I am concerned about how these development schemes make sufficient funding to enable their successful delivery, whether in isolation, or in combination”.
- b. “On the basis of all of these elements the LPA considers that the viability argument cannot be sufficiently justified as ‘enabling development’ with an outline planning application”.

I assume that you have access to his emails and can review – otherwise I will be pleased to forward the same upon request.

For the planning committee meeting on 01/12/2015, I am aware that in his absence you took on his duties so as to be able to demonstrate an acceptable financial appraisal for enabling developments.

Post his employment at IOWC terminating, Mr Griffiths was asked by BHT to assist contesting the Harbour’s planning application. It is noteworthy in his letter to the Council on 27/11/15 when representing BHT, Mr Griffiths stated that the figures used in the developer’s appraisal were ‘significantly generous’ and ‘there was the potential for

significant profit over what would normally considered to be a competitive return in the marketplace’.

It should be noted that Mr Griffiths made these latter comments without the knowledge that the terms of the Section 106 Agreement were to change the fundamentals of the scheme from a single to a two phase scheme.

Nevertheless it appears wrong that Mr Griffiths can make such statements in the light of his previous comments when employed by IOWC and in the circumstances I believe his latter statements, advices and comments should be ignored.

With the arrival of the DVS report dated 06/04/2017, this subject is now academic [hopefully].

ERMC Report dated 12/02/15:

ERMC are a sound professional IOW professional practice.

The report submitted by ERMC clearly states that it is a “construction cost appraisal” and not a financial viability appraisal as deemed necessary to comply with the requirements for an enabling development scheme.

It was based on a scheme in Embankment Road, Bembridge where circa 50% of the floor space was finished to shell construction on tendered build costs [not actual build costs] in early 2013; it would appear that this should now need revising.

ERMC state they have made no site inspections or enquiries, and utilised many assumptions.

There are many substantial omissions from the ERMC report that would always form part of any professionally prepared viability appraisal; for such purposes I have adopted the relevant figures from the District Valuer’s report to demonstrate the level of quantum of the omitted figures:

Benchmark land value	£261,847
Stamp duty / fees	£15,056
Consultancy design fees	£396,804
Contingency	£188,954
Financing costs and voids	£204,949
Sales and marketing costs	£106,323
Solent SPA costs	£2,236
Specialist window glazing for Natural England	unstated
Ground floor to be flood resilient constructed	unstated

Total quantum of omissions from the ERMC report amount to a minimum £1,176,169 plus there is a need for their figures to be updated from the 2013 starting point for inflation purposes to at least winter 2017 at the earliest and probably well into 2018.

It is noteworthy that at a meeting with a director of ERMIC in January 2016, it was stated that the original ERMIC report was re-drafted by a member of BHT before it became a public document.

With the arrival of the DVS report dated 06/04/2017, this subject is now academic [hopefully].

Staff numbers:

In December 2011, the Harbour employed on average throughout the year [including seasonal employees] a total of 7 staff; together with our boat storage business we now employ an equivalent of 13 staff members. This is a direct representation on the increased turnover of the business, a far better service for our customers, and the larger amount of boats in and around the Harbour.

Our staff are our most important asset – they are our ‘front of house’ to meet and greet customers; we take immense care in selecting staff and training them in the standards we want to achieve. This training includes all aspects of safety on and off the water.

Summary:

In the light of the incorrect figures promoted by BHT, we would be pleased to arrange for our corporate accountants to answer any queries you may have on the above detail upon request.

Kind regards,

Malcolm Thorpe

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