AGAR GROVE ESTATE REGENERATION

Financial Viability Report

AUGUST 2019

Incorporating

CONTENTS

Executive Summary

1. The document provides a summary of outputs of the viability appraisal and the overall conclusion of the assessment.
2. The MMA would lead to a minor increase in Residual Land Value (or surplus) as LDC label it, of £677,811 on a current day cost and value basis, or £759,287 if inflated on CIP guidance (see 3.3).
3. Based on an inflated basis, the biggest surplus generated (from the MMA appraisal in 3.2) is £6,776,827, whilst this may appear a large figure that could be reinvested into additional affordable housing, it is currently being used to cross subsidise other phases of the scheme that are loss leading, and in any case;
4. Were a Developer to be building the site out, inline with RICS Viability Guidance LBC could reasonably seek a Developers Margin. They could also recoup their finance costs, of c. 7% on all debt. They could also add a land value to recoup, as in effect, they are gifting this to the scheme for free (zero cost).
5. Even if a typical developers margin of 20% on Private value, and 6% on Affordable Housing value were sought, this would create an effective cost to the scheme of £9,852,286, instantly making the scheme negative in terms of surplus, and that would be before any finance or land costs were included.
6. For this reason alone (adding in a Developers Margin), the scheme as proposed (the MMA) clearly demonstrates that no additional Affordable Housing could be provided beyond that already including in the scheme.
7. LBC is a Borough Council that is not commercially driven and therefore not considered a typical developer that would require both a ‘competitive return’ as a landowner and as a developer.
8. It is because of this that LBC would still be willing and able to proceed with the development as submitted, unlike a typical developer.

1 Introduction

This viability report seeks to demonstrate that the maximum amount of Affordable Housing achievable on site is being proposed by LBC.

The report should be read in conjunction the Planning Statement and architectural schedules. These documents detail the planning policies relevant to the scheme and how the scheme complies with those policies.

This report seeks to justify that whilst there has been a minor change in tenure mix and floor area through the proposed MMA for Phase 1c (including Blocks I,J,K,L). Any increase in surplus is so minor as to not warrant a further increase in Affordable Housing provision, beyond that already included as part of the MMA.

We have only reviewed the viability of the element of the scheme that is subject to the MMA (Blocks I,J,K,L).

1.1 History of the Scheme

The regeneration of AGER began in 2014 and seeks to bring social and economic betterment to the AGER area and the LBC.

- The principle aim of the proposed development is to provide significantly enhanced replacement properties for existing tenants of the estate.
- Along with the reprovision of existing tenants, another key principle is to ensure that there is a clear and coherent community spirit within the scheme whilst ensuring minimal disruption to the existing resident's through a single decant strategy where feasible.
- Arcadis, through their merger with EC Harris LLP have a detailed understanding of the viability of the AGER scheme, having been involved in the viability discussions in December 2013 for the original scheme wide Planning Application.

2 Accommodation Schedule

2.1 Original (Most recent CIP)

Detailed below is a breakdown of the original scheme's accommodation schedule for blocks I,J,K,L (known as phase 3) – reflective of the CIP (Community Investment Programme) work undertaken in March of 2019.

Units	Nr	Tenure %	Affordable %
Private sale units	73	66%	
Social rent reprovisio	5	5%	13%
Intermediate units	33	30%	87%
New affordable units	-	0%	0%
Total	111		

2.2 Revised MMA Accommodation Schedule

Here is the revised Accommodation as per the MMA. There is in increase in 14 units, as can be seen.

Units	Nr	Tenure %	Affordable %
Private sale units	84	67%	
Social rent reprovisio	5	4%	12%
Intermediate units	36	29%	88%
New affordable units	-	0%	0%
Total	125		41

3 Conclusion

The MMA would lead to a minor increase in Residual Land Value (or surplus) as LDC label it, of £677,811 on a current day cost and value basis, or £759,287 if inflated on CIP guidance.

Based on an inflated CIP basis, the biggest surplus generated (from the MMA appraisal) is £6,776,827, whilst this may appear a large figure that could be reinvested into additional affordable housing, it is currently being used to cross subsidise other phases of the scheme that are loss leading, and in any case;

1. Were a Developer to be building the site out, inline with RICS Viability Guidance LBC could reasonably seek a Developers Margin. They could also recoup their finance costs, of c. 7% on all debt. They could also add a land value to recoup, as in effect, they are gifting this to the scheme for free.

2. Even if a typical developers margin of 20% on Private value, and 6% on Affordable Housing value were sought, this would create an effective cost to the scheme of £9,852,286, instantly making the scheme negative in terms of surplus, and that would be before any finance or land costs were included.

For this reason alone (adding in a Developers Margin), the scheme as proposed (the MMA) clearly demonstrates that no Affordable Housing could be provided beyond that already including in the scheme.

LBC is a Borough Council that is not commercially driven and therefore not considered a typical developer that would require both a 'competitive return' as a landowner and as a developer.

It is because of this that LBC would still be willing and able to proceed with the development as submitted, unlike a typical developer.

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