Financial Viability Review

Blocks T & U
Former Catford Greyhound Stadium,
Adenmore Road,
Catford
London
SE6 4RH

Report Prepared for:

London Borough of Lewisham

January 2016
Lambert Smith Hampton
Financial Viability Assessment

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London
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Written by and on behalf of Lambert Smith Hampton:

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Lambert Smith Hampton

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1 Introduction & Background

Purpose of Report

1.1 LSH are instructed by London Borough of Lewisham ("LBL") to review a site specific Financial Viability Assessment ("FVA") for the proposed redevelopment of the Site, submitted as part of planning application:

‘Erection of a 7 storey building and an 8 storey building to provide 179 residential units together with landscaping, public realm, car and cycle parking, refuse storage and associated works at the former Catford Greyhound Stadium, Adenmore Road, Catford SE6 4RH.’

Background

1.2 The site is located within the wider Catford Green site granted consent (DC/07/67276), dated 30 January 2009, for the redevelopment of Catford Greyhound Stadium with the following description of development:

‘The construction of 589 residential units, commercial floor space and a community centre in 13 blocks, rising to a maximum of eight storeys in height, on the site of the former Catford Greyhound Stadium, including the land in between the railway lines and the South Circular (A205), comprising of 216 one bedroom and 311 two bedroom self contained flats; 39 three bedroom and 23 four bedroom houses/maisonsettes, as well as Use Classes A1/A2/B1 Retail/commercial floor space (508 sq m) and Class D1 community centre (298 sq m, together with associated landscaping, including river naturalisation and creation of a public plaza between Catford and Catford Bridge Stations, provision of a footbridge to Doggett Road, an electricity sub-station, bin stores, 649 cycle spaces and 248 car parking spaces.’

1.3 Blocks T & U comprise 132 consented residential units within two 6 storeys (Block T) and 7 storeys (Block U), and 104 car parking spaces.

1.4 The wider consented development is currently under construction, with the building adjacent to the Site and in the remainder of the consented Catford Green development expected to be completed and operational between 2015 – 2018.
Financial Viability Assessments

1.5 Financial viability is an important material consideration in the consideration of planning applications. The cumulative impact of planning policy obligations should not be such to make proposals incapable of being delivered.

“To ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable.”

1.6 The purpose of this report is to assess the financial viability of the proposed development in line with the RICS Financial Viability in Planning Guidance Note (FVIP 94/2012) in order to ascertain;

i. Whether it would be viable for a policy compliant scheme to be delivered;

ii. If a policy compliant scheme is not viable, advice on the maximum achievable quantum of on site affordable housing which it would be viable to provide;

Information Relied Upon

1.7 In preparing this report LSH have relied upon information and assumptions provided by the Applicant’s wider professional team that are providing support to the project. The following information has been provided and relied upon:

- Financial Viability Assessment dated August 2015 prepared by DS2
- Comparable Sales Data provided 20th November 2015;
- Affordable Housing Offer provided 19th November 2015;
- Breakdown of Non-recoverable VAT provided 19th November 2015.
- Construction Cost Plans Prepared by Barratt London in respect of the Extant and proposed development scheme proposals.

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1.8 The advice provided herein must only be regarded as an indication of potential value, on the basis that all assumptions are satisfied. The advice does not and cannot be considered to represent a formal valuation in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation-Professional Standards 2014 (“the Red Book”) and should not be regarded as such.
2 Methodology

Financial Viability in Planning

2.1 The RICS published a first edition guidance note FVIP in August 2012 which identifies best practice for the assessment of area wide and site specific viability as part of the planning process. DCLG have prepared further viability guidance for the National Planning Policy Framework (NPPF), which follows this approach.

“Financial viability has become an increasingly important material consideration in the planning system. While the fundamental purpose of good planning extends well beyond financial viability, the capacity to deliver essential development and associated infrastructure is inextricably linked to the delivery of land and viable development.”

2.2 The NPPF emphasises both the delivery of planning obligations and scheme deliverability via the provision of competitive returns to both willing landowners and developers to enable sustainable development to come forward.

Financial Viability Assessments

2.3 A FVA allows for a robust testing of the ability of a development project to meet its costs, including the cost of planning obligations, while ensuring an appropriate Site Value (SV) for the landowner and a market risk-adjusted return to the developer in delivering that project. FVAs should be sufficiently detailed with evidence supporting the key inputs into the study.

2.4 There are two usual approaches to the valuation of development land;

- Comparison with the sale price of land for comparable development; and
- Assessment of the value of a proposed scheme as completed and deduction of the costs of development (including developer’s profit) to arrive at the underlying Residual Land Value (RLV).

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2 p.2 RICS Financial Viability in Planning (94/2012).
2.5 In practice both valuation methods may be employed, with the comparable method providing a sense-check against current market conditions and sentiment. The degree to which either, or both, is relevant depends upon the nature of the development being considered and the complexity of the site specific issues at hand.

2.6 Established approaches to the valuation of property and development assets, specifically in a financial viability context, are grounded in numerous pieces of RICS guidance (see table 1). LSH have had regard to the concepts and standards outlined in these documents in formulating our opinion of site specific financial viability.

<table>
<thead>
<tr>
<th>RICS Valuation – Professional Standards (2014)</th>
</tr>
</thead>
<tbody>
<tr>
<td>RICS Information Paper – Comparable Evidence in Property Valuation (2012)</td>
</tr>
<tr>
<td>RICS Guidance Note – Valuation of Land for Affordable Housing (2010)</td>
</tr>
</tbody>
</table>

2.7 For the purposes of this assessment LSH have tested the scheme viability using Argus Developer which is widely regarded as the industry standard software for property development feasibility studies and facilitates any level of development analysis.

**Viability Testing**

2.8 There are two approaches that can be used to assess the site specific viability of a development proposal;

- Site Value approach (including an allowance for developer’s return as a cost of development);
- Developer’s Return approach (where site value is a cost of development).

2.9 In adopting the SV approach, the RLV of the proposed scheme, assuming a market level of developer return as a cost of development, is compared to an appropriate SV (see section 5). The Developer’s Return approach adopts a fixed land value and compares a Residual Profit to an appropriate hurdle profit rate. LSH have adopted the Site Value approach for the purposes of this assessment, in the line with the DS2 adopted methodology.
2.10 If the proposed scheme RLV is greater than that of the SV, the scheme is considered viable at that level of planning obligations, generating a financial surplus. If the RLV of the proposal is less than the SV the scheme is not viable. The development economics of the scenarios in the below diagram illustrates how the extent of planning obligations or other requirements can render a scheme unviable when compared to an appropriate SV benchmark.

![Diagram 1: Site Specific Viability Assessment](source)

Source: RICS Financial Viability in Planning GN 94/2012

2.11 In looking at diagram 1 above, the development economics of “Development 1” are such that policy can be met in delivering all planning obligations while meeting a Site Value for the land, all other development costs and a market risk adjusted return for the development. With “Development 2” the cumulative impact of policy requirements, development costs and a market risk adjusted return are such that a viability assessment is required to establish what could viably deliver the development while meeting the viability definition.
3 Proposed Scheme

Site Description

3.1 LSH understands that the entire Catford Green site extends to c. 4.26ha (c.10.52 acres) and comprises the former Catford Greyhound Stadium and the land to the south of the former stadium, between Catford and Catford Bridge Railway Stations and the South Circular (A205).

3.2 Vehicular access is provided by 2 entrances onto the site; Adenmore Road and Westdown Road. Adenmore Road is an adopted road which runs through the site, coming off Ravensbourne Park in the south-western corner of the site, running parallel along the south circular on the southern boundary of the site and then running north through the site towards the entrance of the former Catford Greyhound Stadium.

3.3 The vehicular access at Westdown Road enters the site from underneath the railway line on the western boundary of the site. Westdown Road meets Adenmore Road approximately 150 metres north of the South Circular.

3.4 Blocks T & U occupy a site area of c. 0.672 ha (c. 1.66 acres) and the blocks are proposed to be arranged at the northern end of the development scheme.

Development Proposal

3.5 The subject planning application proposes the following development to take place;

‘Erection of a 7 storey building and an 8 storey building to provide 179 residential units together with landscaping, public realm, car and cycle parking, refuse storage and associated works at the former Catford Greyhound Stadium, Adenmore Road, Catford SE6 4RH.’
Accommodation

3.6 LSH have assumed the following accommodation schedule of proposed floor areas for the scheme;

<table>
<thead>
<tr>
<th>Unit Type</th>
<th>Block T</th>
<th>Block U</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Studio</td>
<td>0</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>1 bed</td>
<td>8</td>
<td>55</td>
<td>63</td>
</tr>
<tr>
<td>2 bed</td>
<td>39</td>
<td>57</td>
<td>96</td>
</tr>
<tr>
<td>3 bed</td>
<td>5</td>
<td>10</td>
<td>15</td>
</tr>
<tr>
<td>4 bed</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>53</strong></td>
<td><strong>126</strong></td>
<td><strong>179</strong></td>
</tr>
</tbody>
</table>

Accommodation Mix

<table>
<thead>
<tr>
<th>Type</th>
<th>No.</th>
<th>Mix</th>
</tr>
</thead>
<tbody>
<tr>
<td>Studio</td>
<td>4</td>
<td>2.2%</td>
</tr>
<tr>
<td>1 bed</td>
<td>63</td>
<td>35.2%</td>
</tr>
<tr>
<td>2 bed</td>
<td>96</td>
<td>53.6%</td>
</tr>
<tr>
<td>3 bed</td>
<td>15</td>
<td>8.4%</td>
</tr>
<tr>
<td>4 bed</td>
<td>1</td>
<td>0.6%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>179</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>
4 Market Information Summary

Gross Development Value

4.1 A scheme Gross Development Value (“GDV”) equating to c. £60.68m has been modelled by with reference to private residential sales values ranging from c. £262,000 to c. £423,000 for the market housing and c. £97,000 – c. £184,000 in respect of the affordable housing.

Private Residential Values

4.2 The private residential units have been individually priced, by the applicant and they have provided a summary of sales transactions. I have analysed 51 sale transactions of 1, 2 and 3 bedroom apartments drawn from the sale of apartments in block(s) B, C & K that have taken place during 2015. Having analysed these transactions I confirm the values upon which they rely in the pricing of the proposed scheme is reasonable.

4.3 The applicant has assumed presales of 70% and the remaining 30% of sales are achieved within 9 months which in the context of this project is reasonable.

Affordable Housing

4.4 The applicant’s proposal includes a provision of 14 affordable housing units and they are seeking for this provision to be assessed against the net additional number of residential units insofar as the proposed scheme will provide 179 residential units (165 market homes & 14 affordable units) an uplift of 47 residential units. On this basis the affordable housing offer reflects c. 29.79% by unit number.

4.5 After considering this approach which the applicant is seeking to express the affordable housing offer I am of the opinion this is misleading and it should indeed be reflective of the total number of housing units which indicates c. 7.83%.

4.6 Notwithstanding the above analysis of the proposed offer the applicant is offering 14 units (10 rented and 4 shared ownership) and set out a summary of the mix below:
### Table 3: Summary of Proposed Affordable Housing Tenure Mix

<table>
<thead>
<tr>
<th>Unit Type</th>
<th>Intermediate</th>
<th>Rented</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Studio</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1 bed</td>
<td>2</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>2 bed</td>
<td>2</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>3 bed</td>
<td>0</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>4 bed</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>4</td>
<td>10</td>
<td>14</td>
</tr>
</tbody>
</table>

Source: Barratts

4.7 The applicant has adopted a blended capital value equivalent to £175 and £180 per sq ft for shared ownership and rented units and was assessed at c. £2.215m. The Applicant has provided an offer from Peabody at c. £1.95m based upon London Plan income levels which is c. £0.265m below the Applicant’s assumptions which informed their August 2015 FVA.

4.8 This reduction is reasonable after having regard to the rental growth cap that was introduced by the Chancellor of the Exchequer in his autumn statement seeking to restrict rental growth over the next 3 years.

**Ground Rents**

4.9 The Applicant has adopted ground rents of between £250 - £400 per annum in respect of studios, one, two, and three bed units. The ground rents have been capitalised at a net all risks yield of 5.50% with subsequent purchasers costs deducted for both the proposed and extant schemes.

4.10 LSH are of the opinion these ground rents are reasonable and indeed the capital values which reflect 5.5% yield and these assumptions are constant in both the proposed and extant planning scheme assessment which informs the Site Value.

**Construction Costs & Project Programme**

4.11 The total forecast base construction cost has been assessed by the applicant for both the proposed and extant schemes.
4.12 A construction cost equivalent to c. £33.8m has been estimated, inclusive of preliminaries overheads and profit which reflects a construction cost of c. £201 per sq ft GIA.

4.13 In addition the applicant has also provided a cost estimate in respect of an extant development planning proposal to inform their opinion of the Site Value against which they are seeking to benchmark the scheme. At a cost of c. £25.25m this reflects a construction cost equivalent to c. £188 per sq ft GIA.

4.14 We have been provided with detailed budget cost plans and, having reviewed, consider that these are reasonable as they fall within the BCIS range of construction costs at £177 - £188 per sq ft which reflects the median and upper quartile range. The BCIS costs exclude preliminary and externals costs and after an allowance for external costs and preliminary cost allowances, at say 15% the range increases to c. £203 - £216 per sq ft.

4.15 The Applicant has relied upon a project programme of 24 months which we accept as a reasonable construction programme.

<table>
<thead>
<tr>
<th>Table 4: Project Programme</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Phase</td>
</tr>
<tr>
<td>Pre-construction</td>
</tr>
<tr>
<td>Construction</td>
</tr>
<tr>
<td>Sales</td>
</tr>
<tr>
<td>TOTAL</td>
</tr>
</tbody>
</table>
Planning Obligations

4.16 The proposed development has been assessed as producing a requirement for the following planning obligations which the LPA has confirmed as correct;

<table>
<thead>
<tr>
<th>Item</th>
<th>Proposed Scheme</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mayoral CIL</td>
<td>£542,820</td>
</tr>
<tr>
<td>Borough CIL</td>
<td>£1,085,640</td>
</tr>
<tr>
<td>S106</td>
<td>£725,306</td>
</tr>
<tr>
<td>Total Contributions</td>
<td>£2,353,766</td>
</tr>
</tbody>
</table>

Source: DS2

Other Assumptions

4.17 Various other market based assumptions inform the financial model that in turn informs the RLV of the proposed scheme, and a summary of the main appraisal inputs is set out in the following table;
<table>
<thead>
<tr>
<th>Input</th>
<th>Applicant Assumption</th>
<th>LSH Assumption</th>
<th>Agreed Y/N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Housing Revenue</td>
<td>£59,849,184</td>
<td>56,849,184</td>
<td>Y</td>
</tr>
<tr>
<td>Ground Rent Revenue</td>
<td>£943,461</td>
<td>£943,461</td>
<td>Y</td>
</tr>
<tr>
<td>Affordable Housing</td>
<td>£1,950,000</td>
<td>£1,950,000</td>
<td>Y</td>
</tr>
<tr>
<td>Car Parking Space</td>
<td>£20,000 per space</td>
<td>£20,000 per space</td>
<td>Y</td>
</tr>
<tr>
<td>Residual Site Value</td>
<td>£93,003</td>
<td>£1,121,478</td>
<td>N</td>
</tr>
<tr>
<td>Construction Cost</td>
<td>£33,842,056</td>
<td>£33,842,056</td>
<td>Y</td>
</tr>
<tr>
<td>Construction Cost Contingency</td>
<td>5%</td>
<td>5%</td>
<td>Y</td>
</tr>
<tr>
<td>Professional Fees</td>
<td>12%</td>
<td>12%</td>
<td>Y</td>
</tr>
<tr>
<td>Finance Rate</td>
<td>7% blended</td>
<td>7% blended rate</td>
<td>Y</td>
</tr>
<tr>
<td>NHBC</td>
<td>£358,000</td>
<td>£358,000</td>
<td>Y</td>
</tr>
<tr>
<td>Non Recoverable VAT</td>
<td>£895,000</td>
<td>895,000</td>
<td>Y</td>
</tr>
<tr>
<td>HA Bond</td>
<td>£36,760</td>
<td>nil</td>
<td>N</td>
</tr>
<tr>
<td>Residential Disposal Fees</td>
<td>3.0%</td>
<td>3.0%</td>
<td>Y</td>
</tr>
<tr>
<td>(Agents, Marketing &amp; Legal’s)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market Housing Profit</td>
<td>20.0% on GDV</td>
<td>17.5% on GDV</td>
<td>N</td>
</tr>
<tr>
<td>Affordable Housing</td>
<td>20.0% on GDV</td>
<td>6.0% contractors return</td>
<td>N</td>
</tr>
</tbody>
</table>
5 Site Value

Definition

5.1 The definition of SV, sometimes referred to as the Benchmark Land Value (BLV), is stated in the RICS FVIP guidance note, where;

"Site value should equate to the market value subject to the following assumption: that the value has regard to development plan policies and all other material planning considerations and disregards that which is contrary to the development plan".3

5.2 To more fully understand the above definition it is necessary to define Market Value (MV), which can be found in the RICS “Red Book” as;

"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".4

Valuation Parameters

5.3 To determine the SV for a development asset there are a number of considerations and different bases of value that form the parameters within which a reasoned assessment of MV can be made;

- Existing Use Value (EUV) / Current Use Value (CUV);
- Alternative Use Value (AUV);
- Purchase Price.

5.4 EUV and CUV have come to be used interchangeably, although subtle differences exist between the two bases of value. The over-riding assumption with both is that the asset is valued in its current or existing planning use-class, and possible more valuable alternative uses are not reflected.

3 Page 17, RICS Financial Viability in Planning (94/2012)
5.5 RICS Red Book comments on the relationship between AUV and MV, stating; “Where it is clear that a purchaser in the market would acquire the property for an alternative use of the land because that use can be readily identified as generating a higher value than the current use and is both commercially and legally feasible, the value for this alternative use would be the market value.”

5.6 In establishing the MV of an asset it is therefore necessary to understand the EUV/CUV of the asset in conjunction with possible alternative uses, which will be adjusted for risk. Where development potential can be realised, i.e. is considered both commercially and legally feasible, the MV will include an element of hope value over and above the EUV/CUV.

5.7 The site purchase price should, when the conditions of the sale can be considered to accord with the definition of MV, and the level of consideration can be supported with other comparable market transactions, reflect a deliverable scheme from a planning perspective whilst maintaining a reasonable anticipation of return for a developer.

Site Value

5.8 I have already set out comment in respect of the assumptions for the proposed scheme and, with exception to the residential revenue, all of the assumptions and inputs remain constant in the determination of the benchmark Site Value.

5.9 Generally having regard to current marketing and transacted values which the applicant relies upon these indicate a range of c. £242,000 - £364,000 per unit. The applicant has provided a unit by unit pricing schedule and this indicates residential revenue of c. £42.9m and reflects a blended overall capital value of c. £553 per sq ft for the proposed scheme.

5.10 The private residential units have been individually priced, by the applicant and they have provided a summary of sales transactions. I have analysed 51 sale transactions of 1, 2 and 3 bedroom apartments drawn from the sale of apartments in block(s) B, C & K of the Catford Green scheme. Having analysed these transactions I confirm the values upon which they rely in the pricing of the proposed scheme is reasonable.

Page 141, RICS Valuation - Professional Standards (2014)
5.11 A summary of the various other market based assumptions that inform the financial model that in turn informs the RLV of the proposed scheme are set out in the following table:

<table>
<thead>
<tr>
<th>Input</th>
<th>Applicant Assumption</th>
<th>LSH Assumption</th>
<th>Agreed Y/N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential Revenue</td>
<td>£42,942,870</td>
<td>42,942,870</td>
<td>Y</td>
</tr>
<tr>
<td>Ground Rent Revenue</td>
<td>£770,751</td>
<td>£770,751</td>
<td>Y</td>
</tr>
<tr>
<td>Car parking Space</td>
<td>£20,000 per space</td>
<td>£20,000 per space</td>
<td>Y</td>
</tr>
<tr>
<td>Residual Site Value</td>
<td>£1,315,223</td>
<td>£2,207,753</td>
<td>N</td>
</tr>
<tr>
<td>Construction Cost</td>
<td>£25,252,042</td>
<td>£25,252,042</td>
<td>Y</td>
</tr>
<tr>
<td>Construction Cost Contingency</td>
<td>5%</td>
<td>5%</td>
<td>Y</td>
</tr>
<tr>
<td>Professional Fees</td>
<td>12%</td>
<td>12%</td>
<td>Y</td>
</tr>
<tr>
<td>Finance Rate</td>
<td>7% blended</td>
<td>7% blended rate</td>
<td>Y</td>
</tr>
<tr>
<td>NHBC</td>
<td>£264,000</td>
<td>£264,000</td>
<td>Y</td>
</tr>
<tr>
<td>Non-recoverable VAT</td>
<td>£660,000</td>
<td>660,000</td>
<td>Y</td>
</tr>
<tr>
<td>Residential Disposal Fees</td>
<td>3.0%</td>
<td>3.0%</td>
<td>Y</td>
</tr>
<tr>
<td>(Agents, marketing &amp; legal’s)</td>
<td>20% on GDV</td>
<td>17.5% on GDV</td>
<td>N</td>
</tr>
<tr>
<td>Market Housing Profit</td>
<td>20% on GDV</td>
<td>17.5% on GDV</td>
<td>N</td>
</tr>
</tbody>
</table>
Review Mechanism

5.12 The Extant planning consent was subject to a review mechanism and it is proposed that the Deed of Variation to the S106 agreement will contain a Review Mechanism that deals with the uplift units only (47 in total) and that the original review mechanism dealing with the 456 units remains unchanged;

- The 132 units that remain in the original DoV agreement and the 47 units (33 private and 14 affordable) that will form the calculation for the new 106 are to be agreed between the Council and applicant;
- At 75% occupation the applicant would submit an Open Market Revenue Report to the Council to determine whether an affordable housing contribution is payable (as applies to the extant scheme);
- If the Open Market Revenue Report reveals average values in excess of those currently in the FVA (£467 psf) then the review is triggered;
- The liability cap for the new 106 shall be the cost of providing an affordable housing unit (at £253 on the NSA – current cost plan figure) less the value of an affordable housing unit (being the average per unit value of the Peabody offer);
- This equates to a liability of c. £803,000 for the shortfall in affordable homes;
- At the point of review, the aggregated income for the 33 private units would be calculated using the same approach as in the DoV;
- The build costs (£253 psf on the NSA) will be indexed using the same approach as the DoV;
- The calculation will dictate as to whether there is a surplus or not;
- The surplus shall only be payable up to the liability cap of £803,000;

5.13 I am of the opinion the Applicant’s proposal to put in place a separate review mechanism (that mirrors the methodology of the mechanism which support the extant consent) to capture the additional 47 units is a pragmatic solution, rather than seeking to amend the complete suite of legal documents that are currently in place between the LPA, Applicant and GLA.
6 Results & Viability Conclusions

Scheme Viability

6.1 The proposed and extant planning schemes have been modelled according to the assumptions outlined in this report.

6.2 If the proposed scheme RLV is greater than that of the SV, the scheme is considered viable at that level of planning obligations, generating a financial surplus. If however the RLV of the proposal is less than the SV the scheme is not viable. The analysis I have undertaken indicates the proposed scheme RLV is lower than the benchmark site value and set out below:

<table>
<thead>
<tr>
<th>Scheme</th>
<th>Residual Site Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proposed - 179 units</td>
<td>£1.121m</td>
</tr>
<tr>
<td>Extant - 132 units</td>
<td>£2.208m</td>
</tr>
<tr>
<td>Deficit</td>
<td>£1.09m</td>
</tr>
</tbody>
</table>

6.2 Therefore in having reviewed the scheme it is clear the scheme as at the date of this report is not able to cross fund any additional affordable housing units.