

1. Executive Summary

- 1.1 As you are aware LSH have been involved in reviewing the viability of the proposed development opportunity by Hutchinson Whampoa (HW) over its various refinements since 2009. Throughout this process LSH have discussed the scheme with Savills, Hamptons International and now Strutt & Parker (SP) as the scheme has developed. Throughout this process a number of assumptions have been agreed with the Applicant. It was previously concluded in 2011 that the scheme would support circa 15% affordable housing and a policy compliant S106 package, whilst achieving a current profit level acceptable to the Applicant to bring the site forward. In light of the most recent submission by SP/Applicant, LSH suggest that the appraisal is reconsidered.
- 1.2 I understand that the GLA have now called this scheme in and will be determining its planning in due course. To this end you have asked me to provide you with a synopsis of the viability assessments and highlight areas which remain outstanding; so that the GLA and their advisors can conclude discussions in regard to the viability of the proposed 2013 scheme, and therefore the reasonable level of affordable housing which the scheme can support.
- 1.3 **This report is based on information** provided by the Applicant and has been drafted for the purposes of placing on the public file. LSH accepts no liability for any costs, liabilities or losses as a result of the use of, or reliance upon, the contents of this report by any other person other than the commissioner for planning purposes.
- 1.4 Whilst LSH have previously agreed a significant number of the assumptions used in the latest revision of the viability appraisal, there appear to be a number of items which require further discussion to conclude that these conclusions are still suitable. LSH would propose that the GLA consider the following.

Convoys Wharf – Viability Outstanding Issues.

Considerations for the GLA

1. Does the GLA accept the topic areas previously agreed and applied to this viability assessment?
2. Does the assumed land value still reflect Market Value and therefore a reasonable land value benchmark, given the introduction of Mayoral CIL?
3. Does a reduction of 1% in the build costs originally agreed in 2011 accurately represent the anticipated build costs of 2013?
4. Do the infrastructure items and costs proposed in 2011 still reflect the amended 2013 scheme?
5. Do the proposed S106 costs represent that required by the Council to meet policy and what elements proposed are simply required to ensure the scheme can be delivered practically?
6. Do the floor areas represent that presented and accepted by the Council?
7. Do the proposed revenues represent accurate and up to date data?
8. Does the proposed timeline represent a reasonable approach to delivering the proposed scheme?
9. Can the scheme ultimately exceed a reasonable profit benchmark and therefore deliver additional affordable housing?
10. What is the impact of undertaking a sensitivity analysis of the proposed scheme, applying reasonable growth assumptions in line with RICS guidance?
11. What advice would the GLA provide to LBL to ensure the impact of growth on affordable housing delivery over the developments life time is reasonably accounted for?

Convoys Wharf – Viability Outstanding Issues.

2. Conclusion

2.1 It would appear that this is a significant scheme with some difficult elements which require consideration. LSH would therefore recommend that the GLA particularly consider the following elements fundamental to agreeing the viability of the scheme and the appropriate S106 and Affordable housing package:

- An appropriate Land Value benchmark.
- The impact of MCIL on land value.
- The distribution of land acquisition through the scheme
- The reasonableness of the proposed standard costs.
- The reasonableness of the proposed infrastructure costs.
- The anticipated development time line of the scheme.
- The reasonableness of the proposed revenue assumptions.
- The impact of growth/inflation on the proposed scheme of its lifetime.
- The necessary elements to facilitate development –eg. highways & schools.
- The necessary and appropriate Section 106 contributions.
- The appropriate profit benchmark by which to assess its viability.
- The appropriate mechanism to ensure reasonable affordable and S106 contributions over the lifetime of the scheme.

2.2 In LSH's opinion there are elements of the current appraisal which require further investigation/ debate, such as current sale values, land value and growth. Making allowances for the impact of CIL on the Market Value of the site, it appears the scheme could support an improved Section 106 package to that proposed, whilst achieving a similar return to that acceptable to the Developer. However, the fundamental issue associated with this scheme's viability and therefore potential to deliver additional affordable housing appears to be with the methodology applied to consider growth over its development lifetime. LSH would recommend that this is given careful consideration.

Yours sincerely,



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