

Appendix 2 – Campkin Road Project Appraisal

1 Summary

1.1 The project

There are currently 48 one bedroom, one person flats at Campkin Road. 40 of the flats are rented by City Homes and 8 are leasehold. The properties in Campkin Road were approved for consideration for redevelopment as part of the Council's 3 Year Rolling Programme in November 2008.

The current site is a low density.

The mix of the new scheme is as follows.

Affordable Housing – Total 18

- 2 x 1 bed apartments
- 4 x 2 bed apartments
- 4 x 2 bed house
- 6 x 3 bed house
- 2 x 4 bed house

Market Housing – Total 12

- 1 x 1 bed apartments
- 1 x 2 bed apartments
- 4 x 2 bed house
- 5 x 3 bed house
- 1 x 4 bed house

- The Affordable Housing will meet Lifetime Homes Standard
- All units will meet Level 4 of the Code for Sustainable Housing
- The Market Housing will be built and sold at the developer/house-builder partners risk.

Target Start date	October 2013
Target completion date	March 2015

1.2 Costs, Funding and Viability

Capital Costs

Construction Costs	£1,281,202
Home Loss Costs	£1,320,000
Quantity Surveyor	£ 23,590
Internal Development Fee (2%)	£ 34,947
Total	£2,459,739

Funding

Grant	£ 315,000
Borrowing	£2,144,739

Viability - Key indicators whether a scheme is viable are when the scheme breaks even in revenue terms (typically 12 years) and when the total capital used is paid back (typically 30 years).

a. Net of Home Loss costs

Pay-back period – 14 years
Break-even - Year 1

b. Inclusive of Home Loss costs

Pay-back period – 38 years
Break-even - Year 13

Rent Levels –

1 bed - £115 per week
2 bed - £126 per week
3 bed - £149 per week
4 bed - £197 per week

1.3 VAT implications

VAT is not payable on new build construction costs. However, advice will be sought from the Council's VAT specialist to ensure that there are no adverse VAT issues affecting the project.

1.4 The Procurement

At the Community Services Committee on the 25 March 2010 the Executive Councillor for Housing approved that an Affordable Housing Development partnership be procured. This partnership was to enable the redevelopment of City Homes housing considered feasible redevelopment in the 3 Year Rolling Programme. The 25 March 2010 report stated that two developer partners would be procured; unfortunately due to procurement regulations it was not possible to procure two partners. Therefore a procurement exercise was undertaken to select one partner, which adhered to procurement rules.

The procurement process was completed in October 2011 and Keepmoat was the successful tenderer.

The principles behind the development model used on other Council schemes already approved is repeated here ie a mixed tenure scheme, developed with the a house-builder/developer partner, providing for the cross-subsidy of the Affordable Housing from the sale of market houses, thereby minimising capital outlay for the Council.

The model involves the disposal of freehold plots to the house-builder/developer partner where Market Housing is proposed and/or disposal under long leases where Market Apartments are involved. The Council will retain the freehold of land upon which the Affordable Housing is provided and the freehold of land should Market Apartments be provided.

It is the intention to control and procure the redevelopment by way of a Development Agreement and a standard form JCT Design and Build contract to cover the building works. The draft agreements have been set up with the Council's legal team.

In summary, the key points of the draft Development Agreement are as follows;

- The contractual arrangements with the house-builder/developer are conditional on the achievement of a satisfactory planning permission.

- The Development Agreement is also conditional on the Council confirming it has secured sufficient funding for the Project, achieved vacant possession and achieved all necessary Executive Councillor approvals.
- The Council must approve a scheme prior to the house-builder/developer submitting a planning application.
- The cost of the redevelopment to the Council is capped at 10% above the Construction Cost of a final scheme agreed with the house-builder/developer to allow for any onerous conditions that may be applied through the planning process (this is within the limits allowed by the Council's Contract Procedure Rules).

1.5 Key Risks

The Development Agreement will be conditional on the Director of Resources confirming that the Council has the finance in place to fund the scheme. Therefore a key risk is developing a finance package that is acceptable to the Director of Finance.

A planning application will need to be agreed between the developer / house-builder partner and the Council that is satisfactory to the Strategic Housing division.

Subject to the approval of the Committee of the scheme presented, the Development Agreement will be signed and our house-builder/developer partner will proceed to submit a planning application after vacant possession has been achieved. The Development Agreement will include a clause allowing our house-builder/developer partner to claim back a proportion of the cost of achieving planning permission should the Project not proceed for reasons that are not the fault of our partner. In the unlikely event that the Council does not wish to proceed with the redevelopment, the risk is mitigated by the fact that the land will have a planning permission that will have a value to the Council.

Should the Project proceed key risks will be to fail to meet start on site and practical completion deadlines for the HCA grant funding.

Residents living at Campkin Road comprise 8 leaseholders and 40 City Homes tenants. The Council will need to discuss the potential redevelopment of Campkin Road with both tenants and

leaseholders and the new Home Loss Policy will apply. This leads to the possibility that vacant possession will not be achieved.

Should the Project proceed with HCA grant a key risk will be not meeting key deadlines for the HCA grant funding.

1.6 Other implications

Davis Langdon has been appointed Quantity Surveyor for the Council 146 Programme and will verify that costs provided by Keepmoat are reasonable in the prevailing market.