

Appendix 1 –

Project Appraisal Homerton Scheme

1. Proposed scheme:

The scheme is located on an area of land north of Harrison Drive off Hills Road in Queen Edith's Ward. The site is adjacent to Homerton College and sits between the Hills Road Sixth Form College and the railway line.

The scheme is on land originally owned by Homerton College. The College selected Hill to be their developer/partner. Hill and Homerton College have subsequently formed a joint venture company called Colokate to deliver the scheme and the land has been transferred into Colokate's ownership.

An outline planning approval is in place for the scheme.

The planning approval allows for the demolition of a number non-residential buildings and the construction of up to 95 residential units with a new access from Harrison Drive, and a mix of town houses and apartments with 40% affordable housing.

Hill has submitted a detailed planning application. It is anticipated that planning approval will be considered by the Development Control Committee in January 2015.

The attached Design Report dated October 2014 provides further detail on the scheme submitted for detailed planning approval

The following is the schedule of accommodation for the scheme.

Type	Affordable	Market
1 bed 2 person	13	8
2 bed 4 person	18	25
2 bed 4 person wheelchair	4	0
3 bed 5 person	2	3
4 bed 5 person	2	15
5 bed 8 person	0	7
Totals	39	58

The sizes of the Affordable Housing will be as follows;

For Rent (all flats);

7 no 1 bedroom 2 person – approx. 51sq m
18 no 2 bedroom 3 person – approx. 70 sq m
2 no 3 bedroom 5 person – approx. 97 sq m

For shared ownership (all flats);

6 no 1 bed 2 person – approx. 53 sq m
4 no 2 bed 3 person – approx. 92 sq m

2 no rented 4 bed 6 person houses on Purbeck Road - approx.
118 sq m each

All of the Affordable Housing will meet Lifetime Homes Standard

All units will meet Level 4 of the Code for Sustainable Housing

2. Programme

Planning committee in January 2015
Start on site in May 2015
Completion of units in June 2017.

3. Viability and other finance implications

Capital Costs

Package Price (including construction, design, planning etc.)	£6,580,435
Employer Agent (1.5%)	£98,707

Clerk of Works (1%)	£65,804
Marketing (shared ownership)	£79,500
Legal Fees	£51,500
Internal Development Fee (2%)	£131,609
Total	£7,007,555

Funding

Right to Buy Receipts	£1,559,755
Shared Ownership Receipts	£795,000
Reserves	£2,326,400
Borrowing	£2,326,400

Rent Levels assumptions –

1 bed - £109.80 per week

2 bed - £124.35 per week

3 bed - £151.78 per week

(Note – as well as rent, a service charge will be payable in respect of the communal parts of the scheme.)

Shared Ownership assumptions –

1 bed market value - £225,000

2 bed market value - £325,000

Initial shares of 30% assumed.

On the basis of the above the scheme will pay back the reserves and borrowing required in 32 years. The Housing Revenue Account 30 Year Business Plan assumes pay-back up to 35 years.

Note – An interest of 1% is assumed when reserves are used to fund a scheme. A 4% interest rate is assumed on borrowing. It may be possible to fund all of the scheme costs using Right to Buy receipts and reserves. However, this would give a false impression of the schemes viability and therefore a balance of funding is assumed in the viability assessment.

4. Legal and Procurement

Heads of Terms have been agreed with Colokate. The Council will buy the Affordable Housing flats under a 125 year lease and will buy the freehold of the two refurbished houses.

There are no procurement implications for the scheme.

5. Other implications

AECOM has been appointed to provide an independent verification that the cost of the scheme to the Council is reasonable in the prevailing market. Their initial view is that the package price is within the range expected for this type of development although it is at the higher end of the range.

A number of factors can influence the cost of a new development which can make a site by site comparison difficult. Some of the main factors are;

- The existing use of the site and whether there are significant costs associated with clearing and decontaminating a site for example.
- Whether there is significant new 'infrastructure' required for the new scheme – for example, whether long new roads are required to achieve an acceptable new access.

- The design and property type. Blocks of flats are more expensive to build than houses. There is then a trade-off between cost and density ie how many flats you can get on a site.
- Build cost inflation. For example, costs are reported to have increased locally by around 12% in the last year.

Although it is difficult to compare sites, the following information provides an indication of the cost of the Homerton scheme in relation to the most recently assessed scheme in the Council's programme.

	Build Cost per sq m	Cost per unit
Homerton	£2369	£168,729
Aylesborough Close	£2177	£162,844