

## Appendix 2 - Barnwell Project Appraisal

### 1 Summary

#### 1.1 The project

This project is in line with the Council's vision for "a city which recognises and meets needs for housing of all kinds – close to jobs and neighbourhood facilities". The Affordable Housing dwellings will be owned and managed by City Homes and will contribute to the sustainability of the service.

There are currently 24 one bedroom, one person flats at Barnwell Road. The City Homes properties in Barnwell Road are approved for consideration for redevelopment as part of the Council's 3 Year Rolling Programme.

The flats are becoming increasingly unpopular because of their size and layout. They are of an unattractive design and Latimer Close is a low density site.

The following is the proposed mix for the new development that can be worked up for a planning application subject to Executive Councillor approval.

Houses	Affordable	Market
2 bed	3	2
3 bed	5	2
4 bed		2

Flats	Affordable	Market
1 bed	2	2
2 bed	6	2

- 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	April 2013
Target completion date	March 2014

## 1.2 Costs, Funding and Viability

### Capital Costs

Estimated Contract Value	£ 940,000
Home Loss Costs	£ 248,000
Professional Consultants	£ 30,160
 Total	 £1,218,160

The Professional Consultants fees will include a Quantity Surveyor to confirm the construction costs.

### Funding

Grant	£ 280,000
Borrowing	£ 938,160

This budget has been included in the City Homes 'self-financing' business plan.

**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 - 21 years  
Break-even - Year

### Rent Levels –

1 bed - £115 per week  
2 bed - £126 per week  
3 bed - £149 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. Keepmoat was successful house-builder/developer tenderer. The Affordable Housing Development partnership also includes Cambridge Housing Society; bpha; Luminus; and Metropolitan.

The principles behind the development model used for Seymour Court is repeated here and will be used for the 146 new Council House Programme ie a mixed tenure scheme, developed with Keepmoat 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 developed for Seymour Court will be re-used.

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.

### **1.5 Key Risks**

The Development Agreement will be conditional upon

- A satisfactory planning approval being achieved
- The scheme being financially viable for the Council
- Vacant possession being achieved

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 planning reasons that are not the fault of our partner. The agreed proportion will be less than 50% of the cost of achieving planning permission. 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.

Residents living at Barnwell Road comprise of 1 leaseholder and 23 City Homes tenants. The Council will need to discuss the potential redevelopment of Barnwell Road with both tenants and the leaseholder and the new Home Loss Policy will apply. This

leads to the possibility that vacant possession will not be achieved. As achieving vacant possession is in the control of the Council, the Council will be liable for all up-front costs should the redevelopment not proceed.

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**

A Quantity Surveyor will be appointed as Cost Consultant; Project Manager; and Construction, Design and Management Co-ordinator. The consultant will validate the cost of works provided by Keepmoat; will ensure that the build contract is adhered to; and will advise and assist the Council on its obligations in order to comply with CDM 2007 regulations in relation to Health and Safety.