



Note

Lytton Way – Updated Viability Position (June 2021)

1 Introduction

- 1.1 The Statement of Common Ground between the Appellant and Stevenage Borough Council confirms that the proposed affordable housing complies with Policy HO7. This was informed by the viability evidence submitted by the Appellant which evidenced a profit on GDV of 12.42%. The Council appointed advisors (Aspinall Verdi) to review the submitted viability and concluded a profit on GDV of 16.02% both were below the agreed profit threshold of 16.98%.
- 1.2 In advance of the Inquiry the Appellant has updated the viability demonstrating that the proposed affordable housing continues to comply with Policy HO7.
- 1.3 Table 1 appended to this note sets out the inputs and assumptions submitted by the Appellant alongside those relied on by the Councils advisors, highlighting the areas of agreement and disagreement. A column has been added for the May 2021 position with increased sales values, updated CIL, increased S106 and updated build costs to reflect design changes to incorporate Air Source Heat Pumps and latest NHBC fees.
- 1.4 Since submitting the viability and it being reviewed by the Council's advisors the County Council has requested a financial contribution towards primary education on the basis of £1,670,732. Discussions remain ongoing as to the appropriateness of that contribution and alternative scenarios are tested at £907,676 and with a nil contribution.

2 Outputs

- 2.1 The baseline appraisal has been updated on the following basis:
 - 2.1.1 Sales values of £403.65psf are assumed – these are above those assumed by the Council's advisors.
 - 2.1.2 The Council's advisors build cost has been assumed – added to this is £942,212 for the air sourced heat pumps and additional NHBC costs.
 - 2.1.3 An NHS Contribution has been agreed to be provided totalling £81,538 this has been added to the £28,754 S106 contribution previously agreed
 - 2.1.4 CIL has been updated to reflect the Council's advice that the undercroft car parking is required to pay CIL.
- 2.2 The baseline appraisal using these inputs and assumptions derives a profit on GDV of 15.32% - this is below the profit level agreed by the Council's advisor of 16.98%.

Scenario	Residual Profit Amount	% Profit on GDV
Baseline - Nil Education Contribution	£23,134,475	15.32%



Note continued

2.3 The updated baseline appraisal has then been run with the primary education contribution on the basis of i) a £907,676 contribution and ii) the £1,670,732 contribution requested by HCC. The outputs are set out below:

Scenario	Residual Profit Amount	% Profit on GDV
Baseline - Nil Education Contribution	£23,134,475	15.32%
£907,676 Education Contribution	£21,913,085	14.51%
£1,670,732 Education Contribution	£20,883,608	13.83%

2.4 The introduction of the education contribution further reduces the profit on GDV below the agreed profit threshold of 16.98%. A copy of each appraisal is appended.

Table 1 Inputs and Assumptions



Input	Quod Report Assumption (June 2020)	Aspinall Verdi Report Assumption (July 2020)	Agreed / Unresolved	Updated Viability position (June 2021)
Unit Numbers and Areas				
Total Units	576	576	Agreed	Unchanged
Total NIA	394,454sqft	394,454sqft	Agreed	Unchanged
Total GIA	507,234sqft	507,234sqft	Agreed	Unchanged
Private Units	524	524	Agreed	Unchanged
Private NIA	357,846sqft	357,846sqft	Agreed	Unchanged
Private GIA	460,122sqft	460,122sqft	Agreed	Unchanged
Affordable Units	52	52	Agreed	Unchanged
Affordable NIA	36,608sqft	36,608sqft	Agreed	Unchanged
Affordable GIA	47,112sqft	47,112sqft	Agreed	Unchanged
Revenue				
Private Sales Values	£390psf	£400psf	Unresolved	The £390psf value was evidenced as part of the original Kift Consulting Report from Sept 2019. This was reviewed by specialist advisors and was maintained as reasonable in August 2020. The Council’s advisors, Aspinall Verdi, assumed £400 psf. The £390psf values have been uplifted by HPI, an increase of 3.5%, and £403.65psf is assumed in the updated appraisal (HPI Index Stevenage)
Affordable Values	£179psf	£179psf	Agreed	Unchanged
Ground Rents	Nil value	Nil value	Agreed	Unchanged
Costs				
Benchmark Land Value	£3,450,000	£3,450,000	Agreed	Unchanged

Table 1 Inputs and Assumptions



Land Acquisition Costs	6.5%	6.5%	Agreed	Unchanged
Construction Costs	£94,431,754 (£186.17psf)	£93,351,345 (£184.04psf)	Unresolved	<p>The Aspinall Verdi report assumed c£1m of cost savings. There remains disagreement on these costs however for the purposes of being able to provide a basis on which to assess the scheme viability the Aspinall Verdi reduced cost is relied on as the baseline position.</p> <p>Since the scheme was costed there are two additional costs which need to be incorporated i) Hill has committed to carbon neutrality by 2030 and to only use gas as a last resort. Energy Strategy updated to replace gas with Air Source Heat Pumps adding £1,200 per unit (£691,200) and ii) NHBC fees costs have increased from £448,988 to £710,014 adding £261,026. Total increase in costs equates to £942,212 in total .</p> <p>The total cost is now the £93,351,345 plus the additional costs totalling £94,303,571 (£185.92psf)</p>
Planning Application Fees	£68,000	£68,000	Agreed	Unchanged
Business Rates	£50,000	£50,000	Agreed	Unchanged
Holding Costs	£2,593,827	£2,593,827	Agreed	Unchanged
Professional Fees	6% of build costs	6% of build costs	Agreed	Unchanged
Private Sales Marketing Costs	2.75% of private GDV	2.75% of private GDV	Agreed	Unchanged
Sales Legal Fees	£650 per private unit	£650 per private unit	Agreed	Unchanged
Arrangement Costs	£500,000	£500,000	Agreed	Unchanged

Table 1 Inputs and Assumptions



Finance Costs	6.5% debit rate 1% credit rate	6.5% debit rate 1% credit rate	Agreed	Unchanged
Community Infrastructure Levy	£100psm / £9.29psf applied to the private GIA total allowance of £4,274,533	£100psm / £9.29psf applied to the private GIA total allowance of £4,274,533	Agreed	There have been discussions with the Council on what the appropriate chargeable space should be with original net charging area of 42,745sqm. This excluded areas of undercroft parking. SBC considers the undercroft to be chargeable floorspace, bringing the total net area to 48,817sqm. The CIL has reduced to £99.70psm, making the CIL payable as £4,390,622 allowing for Social Housing Relief on the 52 affordable housing units. This updated allowance has been included in the new viability appraisal
S106 Obligations	£28,754	£28,754	Unresolved	<p>£28,754 was agreed in the original appraisals to contribute towards electric vehicles and travel plan monitoring.</p> <p>An additional allowance has since been requested by the Council to the NHS – this has been agreed at £81,538.</p> <p>A further contribution has been requested by the Council towards Primary Education of £1,672,732. The basis for this cost remains disputed by the Appellant and this remains a point of disagreement. Different scenarios have been run with the full education contribution and a reduction contribution of £907,676 and nil contribution.</p>
Programme				
Start Date	June 2020	June 2020	Agreed	Unchanged
Preconstruction	June 2020 – March 2021 (10 months)	June 2020 – March 2021 (10 months)	Agreed	Unchanged

Table 1 Inputs and Assumptions



Construction	April 2021 – November 2024 (44 months)	April 2021 – November 2024 (44 months)	Agreed	Unchanged
Private Sales Period	April 2023 – July 2026 (40 months)	April 2023 – July 2026 (40 months)	Agreed	Unchanged
Affordable Sale Period	April 2021- November 2024 (44 months)	April 2021- November 2024 (44 months)	Agreed	Unchanged
Profit Target	16.98%	16.98%	Agreed	The profit target is agreed between both parties and remains unchanged – any development return below this level means that the scheme is delivering in excess of the maximum viable package of benefits.

Updated Baseline Appraisal
52 units and nil education contribution

Development Appraisal
Quod
June 4, 2021

**Updated Baseline Appraisal
52 units and nil education contribution**

Appraisal Summary for Phase 1

Currency in £

REVENUE

Sales Valuation	Units	ft²	Sales Rate ft²	Unit Price	Gross Sales
Block 1 - Private	102	71,910	403.65	284,573	29,026,472
Block 2 - Private	58	42,050	403.65	292,646	16,973,483
Block 3 - Private	100	63,200	403.65	255,107	25,510,680
Block 4 - Private	98	61,838	403.65	254,703	24,960,909
Block 5 - Private	66	48,048	403.65	293,857	19,394,575
Block 6 - Private	100	70,800	403.65	285,784	28,578,420
Block 7 - AH	<u>52</u>	<u>36,608</u>	179.00	126,016	<u>6,552,832</u>
Totals	576	394,454			150,997,370

NET REALISATION

150,997,370

OUTLAY

ACQUISITION COSTS

Fixed Price	3,450,000			
Fixed Price			3,450,000	
				3,450,000
Stamp Duty	5.00%	172,500		
Agent Fee	1.00%	34,500		
Legal Fee	0.50%	17,250		
Town Planning		68,000		
				292,250

Other Acquisition Costs

Business Rates		50,000		
				50,000

CONSTRUCTION COSTS

Construction	ft²	Build Rate ft²	Cost	
Block 1 - Private	92,514	185.92	17,200,203	
Block 2 - Private	54,056	185.92	10,050,092	
Block 3 - Private	81,200	185.92	15,096,704	
Block 4 - Private	79,576	185.92	14,794,770	
Block 5 - Private	61,776	185.92	11,485,394	
Block 6 - Private	91,000	185.92	16,918,720	
Block 7 - AH	<u>47,112</u>	185.92	<u>8,759,063</u>	
Totals	507,234 ft²		94,304,945	
CIL			4,390,622	
S106 Contribution			28,754	
NHS Contribution			81,538	
				98,805,859

Other Construction Costs

Holding Costs		2,593,827		
				2,593,827

PROFESSIONAL FEES

Professional Fees	6.00%	5,813,926		
				5,813,926

MARKETING & LETTING

Private Sales Marketing	2.75%	3,972,225		
				3,972,225

DISPOSAL FEES

Sales Legal Fee	524 un	650.00 /un	340,600	
				340,600

Additional Costs

Updated Baseline Appraisal**52 units and nil education contribution**

Arrangement Fees	500,000	500,000
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TOTAL COSTS BEFORE FINANCE **115,818,687**

FINANCE

Debit Rate 6.500%, Credit Rate 1.000% (Nominal)

Land	1,218,147	
Construction	9,540,982	
Other	1,285,078	
Total Finance Cost		12,044,207

TOTAL COSTS **127,862,895**

PROFIT**23,134,475****Performance Measures**

Profit on Cost%	18.09%
Profit on GDV%	15.32%
Profit on NDV%	15.32%

IRR% (without Interest) 15.33%

Profit Erosion (finance rate 6.500) 2 yrs 7 mths

Capitalised Rent per Net ft² 0

Updated Baseline Appraisal
52 units £907k education contribution

Development Appraisal
Quod
June 4, 2021

**Updated Baseline Appraisal
52 units £907k education contribution**

Appraisal Summary for Phase 1

Currency in £

REVENUE

Sales Valuation	Units	ft²	Sales Rate ft²	Unit Price	Gross Sales
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Block 2 - Private	58	42,050	403.65	292,646	16,973,483
Block 3 - Private	100	63,200	403.65	255,107	25,510,680
Block 4 - Private	98	61,838	403.65	254,703	24,960,909
Block 5 - Private	66	48,048	403.65	293,857	19,394,575
Block 6 - Private	100	70,800	403.65	285,784	28,578,420
Block 7 - AH	<u>52</u>	<u>36,608</u>	179.00	126,016	<u>6,552,832</u>
Totals	576	394,454			150,997,370

NET REALISATION

150,997,370

OUTLAY

ACQUISITION COSTS

Fixed Price	3,450,000			
Fixed Price			3,450,000	
				3,450,000
Stamp Duty		5.00%	172,500	
Agent Fee		1.00%	34,500	
Legal Fee		0.50%	17,250	
Town Planning			68,000	
				292,250
Other Acquisition Costs				
Business Rates			50,000	
				50,000

CONSTRUCTION COSTS

Construction	ft²	Build Rate ft²	Cost	
Block 1 - Private	92,514	185.92	17,200,203	
Block 2 - Private	54,056	185.92	10,050,092	
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Block 7 - AH	<u>47,112</u>	185.92	<u>8,759,063</u>	
Totals	507,234 ft²		94,304,945	
CIL			4,390,622	
S106 Contribution			28,754	
NHS Contribution			81,538	
Education Contribution			907,676	
				99,713,535

Other Construction Costs

Holding Costs			2,593,827	
				2,593,827

PROFESSIONAL FEES

Professional Fees		6.00%	5,813,926	
				5,813,926

MARKETING & LETTING

Private Sales Marketing		2.75%	3,972,225	
				3,972,225

DISPOSAL FEES

Sales Legal Fee	524 un	650.00 /un	340,600	
				340,600

**Updated Baseline Appraisal
52 units £907k education contribution****Additional Costs**

Arrangement Fees	500,000	500,000
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TOTAL COSTS BEFORE FINANCE **116,726,363**

FINANCE

Debit Rate 6.500%, Credit Rate 1.000% (Nominal)

Land	1,218,147	
Construction	9,776,934	
Other	1,362,840	
Total Finance Cost		12,357,921

TOTAL COSTS **129,084,285**

PROFIT**21,913,085****Performance Measures**

Profit on Cost%	16.98%
Profit on GDV%	14.51%
Profit on NDV%	14.51%
IRR% (without Interest)	14.73%
Profit Erosion (finance rate 6.500)	2 yrs 5 mths
Capitalised Rent per Net ft ²	0

Updated Baseline Appraisal
52 units £1.67m education contribution

Development Appraisal
Quod
June 4, 2021

**Updated Baseline Appraisal
52 units £1.67m education contribution**

Appraisal Summary for Phase 1

Currency in £

REVENUE

Sales Valuation	Units	ft²	Sales Rate ft²	Unit Price	Gross Sales
Block 1 - Private	102	71,910	403.65	284,573	29,026,472
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Block 7 - AH	<u>52</u>	<u>36,608</u>	179.00	126,016	<u>6,552,832</u>
Totals	576	394,454			150,997,370

NET REALISATION

150,997,370

OUTLAY

ACQUISITION COSTS

Fixed Price	3,450,000			
Fixed Price			3,450,000	
				3,450,000
Stamp Duty		5.00%	172,500	
Agent Fee		1.00%	34,500	
Legal Fee		0.50%	17,250	
Town Planning			68,000	
				292,250
Other Acquisition Costs				
Business Rates			50,000	
				50,000

CONSTRUCTION COSTS

Construction	ft²	Build Rate ft²	Cost	
Block 1 - Private	92,514	185.92	17,200,203	
Block 2 - Private	54,056	185.92	10,050,092	
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Block 6 - Private	91,000	185.92	16,918,720	
Block 7 - AH	<u>47,112</u>	185.92	<u>8,759,063</u>	
Totals	507,234 ft²		94,304,945	
CIL			4,390,622	
S106 Contribution			28,754	
NHS Contribution			81,538	
Education Contribution			1,672,732	
				100,478,591
Other Construction Costs				
Holding Costs			2,593,827	
				2,593,827

PROFESSIONAL FEES

Professional Fees		6.00%	5,813,926	
				5,813,926

MARKETING & LETTING

Private Sales Marketing		2.75%	3,972,225	
				3,972,225

DISPOSAL FEES

Sales Legal Fee	524 un	650.00 /un	340,600	
				340,600

**Updated Baseline Appraisal
52 units £1.67m education contribution****Additional Costs**

Arrangement Fees	500,000	500,000
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TOTAL COSTS BEFORE FINANCE **117,491,419**

FINANCE

Debit Rate 6.500%, Credit Rate 1.000% (Nominal)

Land	1,218,147	
Construction	9,975,812	
Other	1,428,384	
Total Finance Cost		12,622,343

TOTAL COSTS **130,113,762**

PROFIT**20,883,608****Performance Measures**

Profit on Cost%	16.05%
Profit on GDV%	13.83%
Profit on NDV%	13.83%
IRR% (without Interest)	14.23%
Profit Erosion (finance rate 6.500)	2 yrs 4 mths
Capitalised Rent per Net ft ²	0