Paul Robinson

From: [redacted]
Sent: 20 October 2017 13:03
To: [redacted]
Subject: FW: D&P/3707 Chrisp Street Market

[redacted]

Some comments on the review mechanism.

The main issue is whether there is a deficit in the base viability position. The applicant argues that it is c£30m but BNP for the council say it is lower. The applicant has adjusted the review to take this into account which is ok in principle but we need to satisfy ourselves regarding the base viability position and whether these is a deficit and if so what this should be.

The applicant appears to have increased the affordable offer based on assumed £11.6m Grant from GLA and Tower Hamlets. The £30m deficit figure is based on this but BNPP considered the deficit to be £26m with grant of £4.6m.

The applicant seems to be proposing only one late review but an early review would also be needed.

The overall form of the review is similar to that in the SPG but with some variations. Some of the figures they have adopted in the review do not align with those from the assessment. For example, they apply a build cost figure of £130.75m in the review for specific blocks whereas the cost indicated in the main viability schedule is £151.8m.

They also make provision for buyout and compensation costs to be reassessed as part of the review based on actual payments to tenants of the existing site. [redacted] may have a view on this from the main assessment. There is a risk that the actual costs could be inflated which would reduce the likelihood of a contribution arising from the review, however if the view is that these costs are high in the first place it might be appropriate to consider this as part of the review. Again these figures do not align with [redacted] in the review and [redacted] in the main review.

Happy to discuss.

Kind regards,

[redacted]

On Oct 12, 2017 2:29:07 PM, [redacted] <[redacted]london.gov.uk> wrote:

Thanks [redacted]

Would by the end of next week be ok?

[redacted]

From: [redacted]
Sent: 12 October 2017 08:24
To: [redacted] <[redacted]london.gov.uk>
Cc: [redacted] <[redacted]london.gov.uk>
Subject: RE: D&P/3707 Chrisp Street Market

[redacted]
Thanks I will look at the review approach.
When do you need comments by?
[redacted]

On Oct 11, 2017 9:18:19 AM, [redacted] <[redacted]london.gov.uk> wrote:

Hi [redacted]

The applicant has responded to your initial comments. They have also tested some grant funded scenarios and proposed a review mechanism methodology that appears to differ from the SPG.

I would appreciate your comments, [redacted] may want to look at this as well:

S:\Planning Decisions\Cases\Cases\3707\3707\Post Stage 1\viability\2nd response + grant funded scenarios + reviews

Happy to sit down and run through.

Thanks,

[redacted]

From: [redacted]
Sent: 27 September 2017 17:22
To: [redacted] <[redacted]london.gov.uk>
Subject: RE: D&P/3707 Chrisp Street Market

[redacted] I've been through the FVA prepared by Savills, the review by BNPP and the additional review on the commercial element by Chase & Partners. Not included in the information provided is the FVA Appendix 12- Argus assessment of the proposed scheme. **It would be helpful to see this- although what I need to see is the assumptions and cash flow sheets in the Argus assessment as well as the results pages.**

As you know, this is a mixed use regeneration scheme including a substantial amount of new development and some parts being refurbished. To enable this, substantial costs are likely to obtain possession of both residential and commercial properties. This has significant implications in overall viability, resulting in a high benchmark land value in comparison to GDV as well as abnormal costs. It also has implications in terms of finance costs and it is this part that I need to look at more closely. This is because not all the site is needed at the start of the scheme. Phase 2 is not required for 4 years. I need to understand how this has been dealt with to check that there is no excessive interest cost assumption.

Looking at the methodology, both the FVA and reviews comply with the recommended approach in PPG and AH SPG. Costs and values are on a current day basis, which is reasonably evidenced. Savills have not provided any growth modelling or scenario testing. Given the overall development programme of 9 years this should be provided. BNPP have provided limited modelling (10% & 20% uplift in sales values). No consideration has been given to place making/ regenerative benefit, which is likely in at least Phase 2.

The inputs are generally agreed. BNPP consider the sales values of market housing may be a bit low and has applied slightly higher ground rent levels. (The latter makes limited difference.) I agree with most of these conclusions. I disagree with the following:

1. The assumption of AH grant funding (£3.52m) should be excluded at this stage in the process.
2. Profit assumptions are pessimistic. The market may require profit levels at between 15-20% of GDV on market housing, but this is based on consideration of the market overall. Whilst the market at present is uncertain the overall longer term view (ie the term of the development programme.) is optimistic. Therefore if assessment is made on a current day basis, analysis of development land transactions on the same basis would show lower profit levels than those assumed by Savills. I consider that performance should be assessed based on 17.5% of GDV on market housing, 15% of GDV on commercial and 6% of GDV on AH. AS a sense check, this should be assessed on an IRR basis- at 15%. In doing this, care should be taken to ensure all acquisition/ compensation costs are included as they are required for the development.

The underlying problem with delivering AH in this scheme is the benchmark value. This is based on an EUV assessment with a 15% uplift and I agree with this. There is a further compensation sum which is in effect additional benchmark in its consequence. Overall, these elements of benchmark total ~£67m which is about 20% of GDV. Benchmark would need to be about 5% of GDV to deliver a policy compliant AH scheme.

The adjustments of sales values assessed by BNPP and my comments on grant and profit requirements should be shown by the applicant in an Argus assessment to substantiate the robustness of their viability conclusions. I think it likely that the results will still show an overall result which is below benchmark, but this needs to be demonstrated.

There is uncertainty over the acquisition costs in this development and whilst provisional estimates have been included, the actual costs are likely to differ. **I would therefore recommend viability reviews in the**

event of delayed implementation and at 75% of the disposal/ letting of Phase 1 of the development as well as 75% of the sale/ letting of Phase 2. Actual costs of purchase/ compensation of owner occupied dwellings & tenants leasehold interests should be included in place of the provisional estimates.

I hope this is of assistance, but please let me know if you have any questions.

[redacted]

Development Viability (Expert) Advisor

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From: [redacted]
Sent: 05 September 2017 13:31
To: [redacted]
Subject: D&P/3707 Chrisp Street Market

Hi both,

Another one for you to look over.

This is an estate regen and town centre regen scheme proposed by Poplar HARCA in partnership with Telford Homes, in Poplar, LBTH. It is a mixed use development of retail, leisure and community uses, with re-provision of a market, new market housing and re-provided social rented housing.

Both the applicant and the Council's consultant (BNPP) conclude that the scheme is significantly in deficit, albeit at a different level. The scheme relies on £4.6m Housing Zone funding to ensure replacement of the social rented accommodation and doesn't propose a material uplift in AH. The Council have also commissioned Chase & Partners to look at the commercial elements.

The applicant's FVA is here:

S:\Planning Decisions\Cases\Cases\3707\3707\Stage 1\Nov 16 2016

The Council's consultants reports are here:

S:\Planning Decisions\Cases\Cases\3707\3707\Post Stage 1\viability

Please let me know what you think and as always happy to discuss.

Thanks,
[redacted]

[redacted] | Senior Strategic Planner | Development & Projects | Development, Enterprise & Environment
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Paul Robinson

From: [redacted]
Sent: 22 November 2017 15:44
To: [redacted]
Subject: RE: D&P/3707 Chrisp Street Market

[redacted] I have reviewed the addendum from Savills regarding the FVA they prepared on behalf of Poplar HARCA & Telford Homes. They commented on the reviews from both BNPP and GLA. Whilst they disagreed with a number of the issues, they modelled the proposed changes on Argus to demonstrate that the results were still below the benchmark- whichever one was adopted. The Argus assessments included cash flows to show when costs and values were input.

The assumption is that compensation and site purchase were taken as at the start of the overall development rather than at the time each phase required the land. There has been no explanation/ clarification about this and no modelling to show how this might be managed. However, looking at the overall results, these issues would not turn what is currently an unviable scheme in to a viable scheme. As a consequence, I agree with BNPP that the level of AH as proposed (131 of 649 flats) is the maximum reasonable.

With regard to the review mechanism [redacted] has commented but was concerned about adopting actual buyout and compensations costs because of inflation. Given that actual build costs and sales values may also include inflation, this is consistent and reasonable. I agree with [redacted] re the base build costs (E) being £151,845,125 and base buyout and compensations allowances (G) being [redacted]

[redacted]

From: [redacted]
Sent: 11 October 2017 09:18
To: [redacted] <[redacted]london.gov.uk>; [redacted] <[redacted]london.gov.uk>
Subject: RE: D&P/3707 Chrisp Street Market

Hi [redacted]

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