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**GREATER
LONDON
AUTHORITY**

HOUSING ZONES

DUE DILIGENCE

LB LEWISHAM

Transaction 1 & 2

New Bermondsey

DTZ

Housing Zone:	London Borough of Lewisham – New Bermondsey
Intervention Number:	Transaction 1 & 2
Intervention Name:	Surrey Canal / New Bermondsey
Transaction Type:	Financial Transaction x 2
Funding Amount Requested:	£20,000,000
Summary	
What is the intended outcome and need of the intervention:	<p>Outline planning consent was granted on 30 March 2012 for the delivery of circa 2,400 residential units, with commercial and sports facilities on land surrounding Millwall FC's stadium and on the southern side of Surrey Canal Road. However, key to unlocking this site for development is the construction of a new rail station on the East London Line (London Overground) at Surrey Canal/New Bermondsey.</p> <p>The first financial transaction relates to a loan to Renewal ('the developer') of £10m to provide to TfL to develop the new station. The second financial transaction relates to a loan to the developer of an additional £10m for a new transport interchange.</p> <p>The developer cannot commence works on phase 1A or 2 until the s106 obligations in the first phase (totaling £14m), largely relating to the cost of developing the new railway station have been funded by the developer. Therefore, the £20million funding from the GLA will be used by Renewal to provide to TfL in the form of S106 monies to fund the station and transport interchange works, which will give the developer the confidence to commence detailed design works, in advance of the CPO process being completed.</p>
Key Assumptions:	We have not made any specific assumptions relating to this intervention.
How the intervention meets the objectives of the Housing Zone programme:	<p>This intervention meets the objectives of the Housing Zone programme, by accelerating delivery of the first 532 housing units within the first phase by 2 years, with the potential to accelerate delivery of the entire development from over 11 years to circa 8 years.</p> <p>In time the development of a new station and transport interchange at New Bermondsey, has the potential to improve land values, therefore driving greater delivery of sites by the market.</p>
Brief summary of analysis:	<p>Renewal is adopting the status of master developer of the scheme. They will then dispose of each phase to a sub-developer who will be responsible for developing that particular phase. However, Renewal intends to retain the commercial accommodation and residential ground rents, which reduces the capital receipt obtained from each phase.</p> <div style="background-color: black; height: 15px; width: 725px;"></div> <div style="background-color: black; height: 15px; width: 490px;"></div>

HOUSING ZONES EXECUTIVE SUMMARY

	<p>Overall we consider that the inputs in the development appraisal are appropriate. The master developer appraisal shows a return on cost of [REDACTED] and an IRR of [REDACTED], which reflects an assumed cost of finance of [REDACTED].</p> <p>We understand that all funding is to be sourced from equity invested into Renewal by the two shareholders of the company: Independent Advisors Incorporated (IAI) and Incorporated Holdings Limited (IHL) who both hold 50% shares each. Investment to date is reflected in the various company accounts as being by way of debt, although Renewal claims that the shareholders will not demand repayment of the debt during the existence of the project. However, Renewal's funding will be secured internally from equity provided by shareholders at a cost of [REDACTED].</p> <p>It is anticipated that Renewal will require third party developers to build out the commercial elements of the scheme and hand these back to Renewal at nil cost - adding additional cost and thus reducing the receipts. This represents a layer of risk, as this will lower the viability of the plots reducing the attractiveness to third party developers.</p>
What is the impact if no Housing Zone funding is provided:	<p>If no Housing Zone funding is secured, the developer has indicated that it will not move forward with the scheme until they have acquired all the outstanding interests either by private treaty or CPO. We understand that to date, the developer has assembled 95% of the developable land through private treaty, although there remain 28 major and minor interests to be acquired. If the developer is unable to acquire the remaining interests through private treaty, we understand that the Council has made an 'in principle' agreement to exercise its Compulsory Purchase Powers (CPO).</p> <p>Renewal has invested significantly in bringing the sites forward for development therefore it is unlikely they would walk away from the project at this stage. However, whilst Renewal still intends to deliver the scheme, development will be delayed until the land acquisition/CPO has been completed.</p>
Output to the public sector:	<p>The benefit to the public sector is that the funding will secure major infrastructure improvements as a result of a new station at Surrey Canal/New Bermondsey on the East London Line (London Overground), along with a major public transport interchange. This significant investment in infrastructure will unlock a considerable area of the Borough for development, which has the potential to deliver circa 2,400 homes over a 10.5 year development period.</p> <p>The wider area will benefit from two new bus routes along with improved connectivity between South Bermondsey and New Bermondsey stations. It has been shown in other regeneration projects that major infrastructure investment in a new station for example, results in wider regeneration benefits.</p> <p>Associated public realm improvements are likely to improve the character of the area, improving overall accessibility and general appearance. We consider that these works should improve perceptions of the area, improving values and absorption rates, although we note that the value impact will be difficult to quantify.</p>
Overall recommendation (and risks):	<p>In principle, providing funding towards this intervention meets the GLA's objectives of unlocking housing delivery, however, we highlight below a number of potential risks:</p>

HOUSING ZONES EXECUTIVE SUMMARY

- **Land Assembly/CPO** – There are currently a total of 28 major and minor interests to be acquired in phases 1A, 1B and 5A. In addition, an agreement with Millwall FC has yet to be agreed. Outstanding land assembly is a significant risk to the development, as the outcome of any CPO will be unknown until at least October 2016, assuming that the CPO enquiry is undertaken in mid June 2016. Fundamentally, Renewal will not commit their own funds in order to move the development forwards until land assembly has been completed.
- **Funding** – Originally the cost to develop the station was estimated at £10m, which included a 40% contingency. However, it appears that since the s106 agreement was signed, the costs have increased significantly. According to updated figures provided by TfL there is a funding gap in excess of £1.6m based on current cost estimates. It is unclear as to who will fund the deficit. Also, the costs are currently only an estimate, which presents a level of uncertainty.
- **Site Disposal** – [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
- **Market Risk** - Repayment of the loan is dependent upon scheme success and continued buoyancy in the housing market.
- **Construction Costs** – Rising construction costs are a significant risk to the viability of this scheme, which will impact on the capital receipts achieved by Renewal across each phase of the development.
- **Planning** - Whilst, the scheme has outline planning consent, the first phases have yet to obtain full detailed consent.
- **Infrastructure Cost Plan** – No cost plan has been provided for either the new station or transport interchange. However, recent correspondence provided by TfL estimates that the cost of the station has increased to £11.6m, which is considerably above the original estimate of £10m (which included a 40% contingency).
- **Project Delivery** – There is also a risk that Renewal will still wait until the land acquisition/CPO has been completed before they commence development works. Therefore, the housing may not be delivered any quicker than if Housing Zone funding was not provided. This should be addressed in any contract with Renewal.
- **Repayment** – [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
- We are of the opinion that borrowing from the GLA at the assumed interest rate of [REDACTED] simply allows Renewal to reduce their borrowing costs from the internal rate of [REDACTED] that is required by Renewal's shareholders, thus assisting their cash flow during the development period. [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
- These financial transactions will tie up £20m of funding for an excessively long period of time, where this funding could be used to accelerate delivery of other Housing Zone areas (but we do consider that providing funding for the delivery of a new station and transport interchange, while not directly delivering housing is highly beneficial).

HOUSING ZONES EXECUTIVE SUMMARY

	<ul style="list-style-type: none">• [REDACTED]• Security - [REDACTED]
Funding conditions required to ensure HZ objectives are met:	[REDACTED]



GLA Housing Zone

Benchmarking Analysis

**London Borough of Lewisham
New Bermondsey/Surrey Canal**

Financial Transaction 1 – New Station – £10,000,000

**Financial Transaction 2 – Transport Interchange -
£10,000,000**

Item	Applicants Assumption	LSH Commentary
Method of valuation	<p>██████████</p> <p>████████████████████</p> <p>██████████</p>	<p>██████████</p> <p>████████████████████</p> <p>████████████████████</p>
Assumed phase start date	Q4 2015	We consider that this is unlikely to be achieved, as we are not aware that detailed planning consent has been achieved on phase 1.
Gross to Net Ratio	<p>Residential</p> <p>80%</p> <p>Commercial</p> <p>Not stated</p>	<p>The residential gross to net ratio is considered to be market norm, depending on the overall scheme design.</p> <p>The commercial gross to net ratio is not stated.</p>
Build cost per sq m	<ol style="list-style-type: none"> 1. Private Resi - ██████ per sq m 2. Affordable Resi - ██████ per sq m 3. Non food retail - ██████ per sq m 4. Food retail - ██████ per sq m 5. Offices - ██████ per sq m 6. Hotel - ██████ per sq m 7. Church - ██████ per sq m 8. Creche/Med – ██████ per sq m 9. Sports – ██████ per sq m 	<ol style="list-style-type: none"> 1. Rate would seem reasonable. Unclear as to specification etc but for this rate would assume a medium quality. 2. Rate would seem on the higher side for affordable residential accommodation. 3. Rate would seem reasonable. Would assume a shell finish with incoming services. Would assume shopfronts are excluded from this rate. 4. Rate would seem

		<p>reasonable. Would assume a shell finish with incoming services. Would assume shopfronts are excluded from this rate.</p> <p>5. Rate would be seem reasonable based on a medium quality specification and fitted out to Cat A.</p> <p>6. For this rate would assume medium quality workplace environment.</p> <p>7. Would assume for this rate an Economy (2 star) Hotel i.e. Travelodge/Premier Inn type. [REDACTED] [REDACTED] [REDACTED] [REDACTED]</p> <p>8. Specification/style not known. Assuming a simple construction the rate would seem reasonable.</p> <p>9. Rate would seem reasonable. Assume medical facilities are a basic doctor's surgery.</p> <p>10. Assuming a multi-purpose sports hall/gymnasium with no wet facilities.</p>
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Residential sales price per sq ft	<p>Private sales in phase 1:</p> <p>1 bed - [REDACTED] per sq ft</p> <p>2 bed - [REDACTED] per sq ft</p> <p>3 bed - [REDACTED] per sq ft</p> <p>4 bed - [REDACTED] per sq ft</p> <p>Sales values increase across each phase.</p>	We are of the opinion that the sales values provided are reasonable given the limited information available.
Affordable housing	<p>Affordable Housing – 11%</p> <p>[REDACTED] per sq ft blended rate for 1-4 bed housing</p>	Have not provided a breakdown of the affordable housing split.
S106	<p>[REDACTED] – Statutory/LA, s106 contingency [REDACTED]. Total – [REDACTED]</p>	
Community Infrastructure Levy [CIL]	Not applicable.	The scheme was granted outline planning consent prior to the implementation of Lewisham’s CIL charging schedule.
Commercial rental and yield	<p>Rent:</p> <p>Void:</p> <p>Rent free:</p> <p>Investment yield: [REDACTED]</p>	No commercial details provided
Car parking	70	
Ground rents	<p>1 bed - [REDACTED] 2 bed [REDACTED] 3 bed [REDACTED], 4 bed - [REDACTED]</p>	We are of the opinion that the ground rents are reasonable.
Finance	<p>Master developer finance cost of [REDACTED]</p> <p>Sub developer finance cost of [REDACTED]</p>	<p>[REDACTED] has been applied to the master developer appraisal, where finance is provided internally. [REDACTED]</p> <p>[REDACTED] The cost of finance for the sub-developer is considered reasonable.</p>
Developers Profit	Stated as [REDACTED] profit on GDV on	Commercial has not been

	private residential ████ Profit on Cost for affordable housing	detailed/included
Contingency	Developers Contingency: █████ ████ Main Contractor's Risk/Design Contingency: %	5.00% standard
Main contractors preliminaries, overheads and profits	%	
Construction Inflation	Not included.	████████████████ ████████████████████ ████████████████
Marketing costs	████ of private sales and commercial	1.00% standard
Letting and disposal	Letting agent fee: % Letting legal fee: % Purchaser costs: % Sales agent fee: █████ Sales legal fee: █████	Ignores 0.3% VAT
Purchasers costs	[SDLT at 4████: Agent fee at █████ legal fee at █████]	'Legal fee' should be split 0.5% fee, 0.3% VAT. Agents fees on large deals may be as low as 0.5%
Professional fees Other Development/Project Costs	████ %	Standard practice
Planning Planning application fees	Pre application/Full Planning £	Not stated in the appraisal, but in the master document ████ has been set aside
Other considerations		
Total development period	18 months	Standard
Sales programme	'We have allowed for the sales receipt from affordable housing units to a Registered Provider to be received monthly over build period.'	No detail provided.

	<p>■ of the units are pre-sold</p> <p>The private residential units will be sold at a rate of ■ per month.</p>	<p>Pre-sale at ■ is optimistic</p>
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<div> <div>Lambert Smith Hampton</div> <div>GLA HOUSING ZONES - SUMMARY REPORT</div> <div>DTZ</div> </div>	
Intervention Description and Number:	Transactions 1 and 2 - New Bermondsey
Date and Version Number:	23 July 2015 v 1 DRAFT
Project Sponsor:	LB Lewisham
Site Name:	Surrey Canal / New Bermondsey
Housing Zone / Local Authority:	London Borough of Lewisham
DELIVERY ASSESSMENT SUMMARY	
Criterion	RAG Rating
Proposition	
Location	
Stakeholders	
Ownership and Land Assembly	
Appraisal	
Dependencies	
Project Milestones	
Funding	
Security	
Planning	
Risks and Issues	
Governance	
OVERALL	
DELIVERY ASSESSMENT COMMENTARY AND RISK MITIGATION	
	<p>There are currently a total of 28 major and minor interests to be acquired in phases 1A, 1B and 5A. In addition, an agreement with Millwall FC has yet to be agreed. Outstanding land assembly is a significant risk to the development, as the outcome of any CPO will be unknown until at least October 2016, assuming that the CPO enquiry is undertaken in mid June 2016. Fundamentally, Renewal will not commit their own funds in order to move the development forwards until land assembly has been completed. This would therefore need to be considered in the contract with Renewal.</p> <p>There is also a risk that Renewal will still wait until the land acquisition/CPO has been completed before they commence development works, even with Housing Zone funding. Therefore, the housing may not be delivered any quicker than if Housing Zone funding was not provided.</p>
FINANCIAL ASSESSMENT SUMMARY	
Criterion	RAG Rating
Benchmarking of Inputs	
Potential Success and Impact of Intervention	
Overall Viability of Project	
Security of Funding	
Timing of Repayment	
OVERALL	
FINANCIAL ASSESSMENT COMMENTARY AND RISK MITIGATION	
	<p>We are of the opinion that borrowing from the GLA at the assumed interest rate of simply allows Renewal to reduce their borrowing costs from the internal rate of that is required by Renewal's shareholders, thus assisting their cash flow during the development period.</p>
OVERALL RAG RATING	
OVERALL ASSESSMENT COMMENTARY AND RISK MITIGATION	
	<p>However, we note that this funding does not necessarily unlock housing which would not be delivered otherwise, although it does enhance the speed of delivery. Nonetheless, the financial transaction with Renewal does generate a return for the GLA (as opposed to grant transactions) and therefore is generating further funding which could be re-invested in the Housing Zones programme.</p>

Lambert Smith Hampton		GLA HOUSING ZONES - DELIVERY ASSESSMENT REPORT		DTZ		
Intervention Description and Number:		Transactions 1 and 2 - New Bermondsey		SCORE (1-3 WHERE 3 IS THE HIGHEST)	RAG RATING PER INFORMATION REQUEST	OVERALL RAG RATING
Date and Version Number:		23 July 2015 v 1 DRAFT				
Project Sponsor:		LB Lewisham				
Site Name:		Surrey Canal / New Bermondsey				
Housing Zone / Local Authority:		London Borough of Lewisham				
Proposition						
Summary of structure of contracting party(ies) who will receive funding, responsibility for delivery and repayment		Renewal Group Holdings Ltd and TfL are directly responsible for the delivery of key infrastructure required to bring forward the wider housing delivery.				
Credit rating						
Proposition						
Summary of project and intervention, including identification of benefit of receiving funding (i.e. How much housing / development is unlocked and over what time period)		<p>Outline planning consent has been granted for the delivery of circa 2,400 residential units, with commercial and sports facilities on land surrounding Millwall FC's stadium and on the southern side of Surrey Canal Road. The scheme also includes a new rail station on the East London line (developed in 7 phases). Renewal will act as Master Developer delivering the infrastructure, transport interchange and community sports facility. Third party developers will acquire serviced land plots to deliver the residential and commercial elements of the scheme. The commercial elements will be handed back to Renewal (at nil cost) to own and manage. Renewal will also retain any ground rents from the residential units.</p> <p>The £20million funding from the GLA will be used by Renewal to provide to LB Lewisham in the form of S106 monies to fund the station and transport interchange works. This in turn, will be provided to TfL in staged payments to deliver the station and transport interchange. The entire scheme is anticipated to be delivered over a 10.5 year period.</p>				
Table of key outputs, deliverables and timing		<p>The development of the 7 phases is anticipated to reach practical completion in month 126 (10.5 years) of the development programme.</p> <p>The developer's ambition to deliver c2,400 units across a 10 year development period presents a risk. Whilst, market conditions for developers are favourable at present, such an extensive regeneration project will be challenging to deliver.</p>				
Description of what the intervention is doing, why it is unlocking or accelerating housing and the evidence base that it is relying on to make this assertion.		Renewal believes that this intervention will accelerate delivery of the first 532 homes in phases 1A and 2 of the scheme by at least 2 years and accelerate delivery of the entire development from over 11 years to circa 8 years. This is because the intervention will give Renewal the confidence to commence detailed design work in advance of the CPO being completed.				
Applicants summary proposition must be clearly linked to the Financial Templates						
Location						
Site address		New Bermondsey, Surrey Canal Road, London, SE15 1EP				
Site plan indicating ownership and where relevant proposed land acquisition		Indicative site plans were provided to us at the inception meeting. However, no detailed land ownership or land acquisition plans have been provided.				
Stakeholders						
Stakeholder mapping identifying key stakeholders – plot 'Potential Impact of HZ Intervention on Stakeholder' (High, Medium, Low) and 'Stakeholder Influence on Delivery of HZ intervention' (High, Medium, Low)		This has not been provided, but we understand the key stakeholders to be Renewal Group Holdings, LB Lewisham, Transport for London and additional unidentified third party interests to be acquired. TfL will be directly responsible for the delivery of the proposed infrastructure works. As the scheme is developer led, the LB Lewisham will not be a party to any agreements in respect of the repayment of the financial transaction or the delivery of the scheme. However, the Council has indicated that it will provide a Memorandum of Understanding to the GLA to formalise the Council's commitment in supporting Renewal in the delivery of the New Bermondsey regeneration scheme.				
Which individuals, groups, bodies and organisations with an involvement or interest which is affected by the Housing Zone interventions?		As above, this has not been provided, but the key impact is on Renewal as they have an obligation (under S106 agreement) to provide the funding for the station and transport interchange, notwithstanding the allocation of GLA funding. Third party interests which will be acquired will be impacted.				
Ownership and Land Assembly						
Title report / summary (relating to phasing)		None provided.				
Proposals for land acquisition/Evidence of purchase price/Plan of ownership, identifying key/critical sites for delivery/Willingness of Local Authority to use S237 - appropriation		We understand that LB Lewisham will provide assistance with land assembly and will consider to use CPO powers if necessary. However, this is a consideration and CPO has not been confirmed, therefore land assembly represents a risk to the delivery of the scheme. We have not been provided with any information as to the remaining land parcels to be acquired other than the cost is estimated to be circa [REDACTED]. However, we understand that Renewal have provided a letter of intent to the Council confirming that 2 weeks prior to the Council's Mayor & Cabinet CPO resolution, that they would make available [REDACTED] (either by way of cash or bank guarantee/bond) as security for all outstanding land acquisition and CPO related costs. A full breakdown has not been provided. We understand that Millwall Football Club's leasehold interest extends to land surrounding the stadium and a deal with the Football Club is yet to be achieved.				
Summary of triggers for repayment						
Interdependencies between investment and other intervention / wider project. Summary of phasing interdependencies		This has not been provided, but delivery of the new overground station and transport interchange will be key in delivering the consented 2,400 residential units.				
Proposal for exit strategy		Renewal have indicated that their strategy is not to exit the development completely. Renewal intend to retain the commercial accommodation and private residential ground rents. However, the cashflow illustrates the capital value of these assets [REDACTED]. Receipts from the sale of serviced plots represent [REDACTED]. It is anticipated that these receipts will be used to repay the GLA loan, in addition to cash released from secured borrowing against the completed assets. However, we would highlight that although this is currently Renewal's intended strategy, this could change in the future.				
CPO proposals / timescales / public benefit		LB Lewisham have agreed to consider the use of CPO should this be required and have an "in principle" resolution. It is anticipated that CPO will be required to finalise land assembly and GL Hearn anticipate making the Order by year end (2015).				

Appraisal	
Cost plan estimates broken down by master planning headlines (clearly identifying abnormal costs)	
Stage 2 architect plans and floor area schedules	A schedule of floor areas per phase has been provided.
Market report (independent assessment with reasoned and evidenced assumptions and narrative to include: residential values supported by comparable evidence; market sales absorption rates; affordable housing assumptions (mix, tenure and sales revenue); pre-sales; market forecast. Commercial assumptions where appropriate.	
Access arrangement for development /preliminary layout in case of public realm and infrastructure requirements	N/A
Topographical survey if available	N/A
Utilities searches if undertaken	N/A
Dependencies	
Project dependencies to be expressed as: Dependency/Impact/Mitigation.	None provided. However, project delivery is dependent upon successful land acquisition. Mitigation for land assembly is to implement a CPO programme. It is unclear as to how many units could be delivered without the provision of a new station / transport interchange and without completing land assembly, but it is estimated that improving accessibility will drive demand and value.
Project Milestones	
Key activity table with remarks	None provided
Funding	
Breakdown of works and how these will be funded	<p>In a letter provided to us from TfL dated 3 June 2015, they estimate the cost of the station works to be around £11.6m, which includes an inflationary factor and a 10% risk allowance. Subsequent to the original S106 agreement, TfL require the extension of the platforms from four car to five car in order to avoid selective door opening, along with an installation of a gateline in the station concourse. These works are estimated to cost in excess of £1m. We understand that Renewal are required to fund the station works up to the value of £10m, subject to an amount equivalent to the percentage increase in BCIS from 13 October 2011 (the date the original S106 was signed).</p> <p>We have not been provided with a breakdown of the £10 million cost towards the construction of the transport interchange.</p> <p>It is unclear as to whether TfL will fund any deficit in order to deliver the proposed infrastructure works.</p>
Peak funding requirement	
Level of commitment provided	
Draw-down requirement, interest rates, fees.	<p>We understand that Renewal intends to draw down the loan as soon as possible, as they have to provide TfL with 3 months notice before they can commence works. The s106 requires upfront payment for the station works. However, should Renewal seek to make the payment in installments, this would require a variation to the S106 agreement (the costs of which Renewal would need to cover) and TfL would require a Guarantor from Renewal. TfL have stated that £10m could be paid in instalments with the total paid 20 months from project start date. It is anticipated that the CPO Enquiry will take place mid 2016, and we have assumed that the Order would be confirmed 3 months from this date. This would mean that risk associated with land assembly was mitigated by October 2016. Therefore, depending upon when the project start date is, the potential exists for a significant proportion of the £10 m funding for the station to be drawdown prior to CPO confirmation. Payment is linked to inflation index (BCIS) and therefore extending the payment dates will increase this marginally.</p> <p>We understand that Renewal have assumed an interest rate of . However, this is expected to be within the range of due to credit rating. .</p>
Debt / equity split	100% equity (but provided as debt at 10%)
Security	
Valuations of book value of site	None provided. However, Renewal accept the existing use value of the sites is relatively low as it comprises poor quality industrial land.
Details of existing charges	None provided, but suggestion that third party investors would be given first charge over the land. We understand that Renewal is in the process of redeeming a loan from RBS.
What form of security is offered?	

Planning	
Commentary and evidence of compliance with LPA Policy.	Outline planning consent has been secured. We understand that the LB Lewisham is supportive of Renewal's aspirations for the scheme.
Site planning status and stages to implementation of consent	Outline planning consent has been obtained for 2,400 new homes, commercial and sports facilities around Millwall FC's stadium and on the southern side of Surrey Canal road. This includes the creation of a new rail station on the East London line, along with a new transport interchange. The scheme is to be developed over 7 phases. Land assembly is still required in order to implement consent.
Minutes of formal pre-application discussions	Not applicable.
Risks and Issues	
An Issue is a known constraint/event that has occurred and needs to be resolved to avoid impacting the successful delivery of the project. A Risk is a constraint/event that has not occurred but if it did so has the potential to impact the successful delivery of the project.	<p>Not provided. In our opinion, the key risks to scheme delivery, include concluding land assembly (including having to resort to CPO and whether this will be supported), market risk (as repayment of the loan is dependent upon scheme success and continued buoyancy in the housing market), construction cost increase (this will impact the receipts to Renewal as the proposal is that all commercial space is provided by developers at their cost), developer appetite (if the housing market slows, the requirement to deliver the commercial elements at cost will erode developer interest), repayment of interest (a high internal interest rate is required).</p> <p>Renewal's risk mitigation strategy includes providing serviced plots, reducing the risk to third party developers. The scheme is multi-phased which allows Renewal to regulate the release of plots to the market. However, this does not necessarily provide mitigation where the housing market collapses and no receipts are generated.</p>
Governance	
Applicants to provide a delivery structure with key responsibilities	A delivery structure has been provided, which highlights that the funding will be directly paid to Renewal, who will then transfer the funds to LB Lewisham as part of their s106 obligations. LB Lewisham will then transfer the funds to TfL who will be responsible for delivery of the station and transport interchange. However, in a subsequent letter from TfL dated 3 June 2015, TfL have indicated that the funds should be paid directly from Renewal to TfL.
Delivery assessment form to include a statement from the project sponsor:	None provided.
*all information has been provided in good faith and has been approved for submission by an appropriate Accounting Officer e.g. Finance Director	None provided.
*the financial model has been prepared by the applicant or its advisers with sufficient probity and diligence	None provided.
OVERALL	
RAG RATING KEY	Significant weaknesses, the supporting evidence or approach does not meet the requirement, or prospect of delivery is significantly challenged
	The supporting evidence or approach is broadly acceptable but some improvements/validation is required to meet the requirements, or the prospects of delivery are subject to a higher than usual proportion of risk
	The supporting evidence demonstrates that the requirement is met and prospect for delivery is robust

Lambert Smith Hampton	GLA HOUSING ZONES - FINANCIAL ASSESSMENT REPORT		DTZ
Intervention Description and Number: Date and Version Number: Project Sponsor: Site Name: Housing Zone / Local Authority: Site Area (ha) Residual Land Value (£) Total Grant required (£) Total Recoverable Grant required (£) Total Financial Transaction required (£) Number of Housing Units Delivered Funding Cost per Housing Unit Total Development Cost: Peak Funding Requirement:	Transactions 1 and 2 - New Bermondsey 23 July 2015 v 1 DRAFT LB Lewisham Surrey Canal / New Bermondsey London Borough of Lewisham £20,000,000 2,400 £8,333 [REDACTED] [REDACTED]	SCORE (1 - 3 WHERE 3 IS THE HIGHEST)	RAG RATING
Other funding sources (equity / debt, source, amount and priority of payback):	<p>We understand that all funding is to be sourced from equity invested into Renewal by the two shareholders of the company: Independent Advisors Incorporated (IAI) and Incorporated Holdings Limited (IHL) who both hold 50% shares each. Investment to date is reflected in the various company accounts as being by way of debt, although Renewal claim that the shareholders will not demand repayment of the debt during the existence of the project. However, Renewal's funding will be secured internally from equity provided by shareholders at a cost of [REDACTED]</p> <p>We understand that Renewal have to date invested [REDACTED] on land assembly and professional consultants. We also understand that Renewal is in the process of redeeming a [REDACTED] loan from RBS which is listed in the accounts as shareholder equity. The peak funding requirement does not reflect repayment of the RBS loan.</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p>		
Benchmarking of Inputs	<p>Overall we consider that the inputs in the development appraisal are appropriate.</p> <p>However, we note a few issues for consideration. We question the sales rate at 10 units per month over the entire 10 year development is sustainable. [REDACTED]</p> <p>We consider that the proposed disposal of the affordable units over the build period where sales receipt would be received on a monthly basis is optimistic. We consider the likely payment programme will be based on the "golden brick" approach.</p> <p>Due to viability issues (previously identified), along with significant infrastructure and investment in planned community facilities, the affordable housing provision at 10% is not policy compliant. However, we understand that the s106 allows for a mechanism to increase the quantum of affordable housing in later phases of the scheme.</p>		
Potential Success and Impact of Intervention	<p>The provision of GLA funding will assist with the delivery of a new station and transport hub, which directly will not deliver residential units, but will indirectly create the opportunity to drive value and demand for additional housing in the area.</p> <p>The funding does assist with de-risking the scheme in that S106 monies are provided, but we consider that with the parent company providing funding that the non-provision of funding would not necessarily result in scheme failure. The scheme already has outline planning permission secured and [REDACTED] has already been invested in land assembly. The scheme therefore theoretically was being brought forward prior to Housing Zone funding allocation and therefore does not represent a scheme which could not come forward without funding.</p>		
Overall Viability of Project	<p>It is anticipated that Renewal will require third party developers to build out the commercial elements of the scheme and hand these back to Renewal at nil cost - adding additional cost and thus reducing the receipts. This represents a layer of risk, as this will lower the viability of the plots reducing the attractiveness to third party developers.</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p>		
Security of Funding	<p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p>		
Timing of Repayment	<p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p>		
OVERALL			
RAG RATING KEY	Significant weaknesses, the supporting evidence or approach does not meet the requirement, or prospect of delivery is significantly challenged		
	The supporting evidence or approach is broadly acceptable but some improvements/validation is required to meet the requirements, or the prospects of delivery are subject to a higher than usual proportion of risk		
	The supporting evidence demonstrates that the requirement is met and prospect for delivery is robust		