OPDC Business Case Options: Key Assumptions

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1. Land receipts

It is assumed that individual sites are sold as serviced plots with the benefit of site wide infrastructure. The value of each site is calculated on the basis of residual land value approach, by deducting gross development costs from gross development value, as shown in figure 1 below.

Figure 1: Residual land value calculation

Gross Development Value (GDV)	• Residential sales • Commercial sales Less purchaser's costs (commercial only)

- (less)

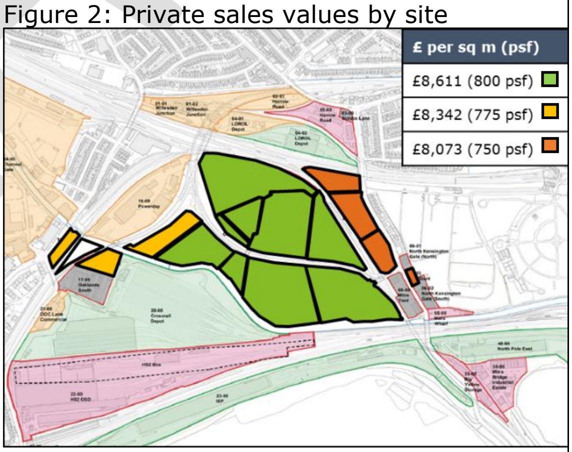
Gross Development Costs (GDC)	• Construction costs • Other costs • Professional fees • Contingency • Marketing, Sales and Lettings • Planning obligations (exc. S106) • Developer's profit • Purchaser's costs (land) • Finance

= (equals)

Residual Land Value (RLV)

The key assumptions used to calculate the GDV and GDC are set out in the table below.

Item	Source/ Document	Input/ Assumption
Floor areas / use	AECOM/Macreanor Lavington Rev2 March iteration Option 6: MLUK-595-AccSch-Rev02_March_plots-other-opt06_180411 MLUK-595-AccSch-Rev02_March_plots-resi-opt06_180411 REV2_Option 6_baseplan_A0_1000	• Rev2 Masterplan March iteration Option 6 (Viaduct with Hythe Road Station) • Floor areas/use adopted as per area schedules issued – see source • No change to gross external areas or uses • Residential average unit size = 71.8 sqm (NIA)
Affordable Housing	Deloitte	Baseline position: • Phase 1a: 50% affordable within each site • Phase 1b: 35% affordable within each site

Item	Source/ Document	Input/ Assumption
		Affordable housing tenure mix in each site: • 30% affordable rent • 70% shared ownership
Floor area efficiency	NB - Residential efficiencies adopted by Deloitte, and shown opposite, differ from those used by the masterplanning team. This position has been discussed and agreed with OPDC. Commercial efficiencies adopted by Deloitte are unchanged from those used by the masterplanning team.	**Residential uses** • GIA:GEA = 90% • NIA:GIA = 75% **Commercial uses** • Office GIA:GEA = 90% • Office NIA:GIA = 85% • Industrial GIA:GEA = 95% • Industrial NIA:GIA = 95% • All other uses GIA:GEA = 90% • All other uses NIA:GIA = 95%
Income	Deloitte	**Private residential sales values** *NB - All values shown below are ungrown* Different values have been applied to sites across phase 1a and phase 1b, as shown in figure 2 below. Blended average sales values across all sites = £8,400 per sq m (£780 per sq ft). Figure 2: Private sales values by site  A 5% premium has been applied to private sales values for sites in the south east corner of the masterplan area which would benefit directly from the proposed Hythe Road Station. This is introduced into the value through a change to the growth rate in the two years before the station is delivered. The sites include: ○ 7.00 ○ 11.02 ○ 11.03 ○ 12.01 ○ 12.02

Item	Source/ Document	Input/ Assumption
		Affordable housing sales values *NB - All values shown below are ungrown* Affordable housing values applied to each site follow the same low/medium/high value trend as private sales values, shown in figure 2 above. The blended average sales value for affordable housing across all sites = • Affordable rent = £1,599 psm • Shared ownership = £5,747 psm Each affordable unit in phase 1a also benefits from an additional grant of: • £60,000 per unit for affordable rent; and • £28,000 per unit for shared ownership No grant has been applied to affordable units in phase 1b. **Commercial uses** *NB - All values shown below are ungrown* Blended average values for commercial uses across all sites = • Office = £5,626 psm • Retail = £3,645 psm • Hospitality/ Leisure = £4,891 psm Industrial = £3,418 psm • Hotel = £150,000 per room • Car parking = £20,000 per unit (assuming 50% of the spaces are blue badge)
Construction Cost	AECOM, based on March iteration issued 17/04/18 Report Old Oak Western Wedge Estimate No.3	**Private residential construction cost** *NB - All costs shown below are without inflation* • Base rate = £3,050 psm • 20% premium applied to all floor area above 20 storeys = £3,650 psm **Affordable residential construction cost** *NB - All costs shown below are without inflation* • Base rate = £2,950 psm • 20% premium applied to all floor area above 20 storeys = £3,500 psm **Commercial construction cost** *NB - All costs shown below are without inflation* • Office floor area below 20 storeys = £2,690 psm

Item	Source/ Document	Input/ Assumption
		• Office floor area above 20 storeys = £2,960 psm • Industrial = £1,100 psm • Retail / hospitality = £1,115 psm • Leisure = £1,525 psm • Hotel = £3,900 psm • Car parking = £380 psm (above ground) and £760 psm (basement) **Direct costs** *NB - All costs shown below are without inflation* • Transfer structures = £500 psm • Vertical circulation = fixed sum per site • Decontamination = £50 psm • External works (highways and landscaping) = 2% of construction cost (excluding direct costs) • Drainage = 1.5% of construction cost (excluding direct costs) • Services = 1.5% of construction cost (excluding direct costs) • Mayoral CIL - inflated by year NB - S106 and Borough level CIL has not been included in the site level calculations. **Indirect costs** • Contingency = 5% of total cost • Professional fees = 10% of total cost
Developer's profit	Deloitte	Blended profit rate applied as a percentage of GDV. • Phase 1a = 12.75% (17.5% on private sales and 8% on affordable sales) • Phase 1b = 14.18% (17.5% on private sales and 8% on affordable sales) The difference in profit rate is driven by the provision of affordable housing in each phase.
Purchaser's cost	Deloitte	• 5.8% of land value
Finance	Deloitte	Developers finance cost = 6% per annum
Growth/ inflation	Growth – Deloitte Inflation – Infrastructure Advisers	**Value growth – per annum** • Private residential sales = 5.5% • Affordable residential sales = RPI +0.5% • Office = 4.5% to 2021, 3.3% thereafter • Retail = 5.1-5.2% to 2021, 3.3% thereafter • Industrial = 5.4-7.0% to 2021, 3.3% thereafter • CPI c.2% per annum • RPI c.3.2% per annum

Item	Source/ Document	Input/ Assumption
		Construction cost • 2019 2% • 2020 2.6% • 2021 3% • Thereafter 3.5% per annum
Phasing	Deloitte	Phasing of plot sales driven by absorption rate: • 100 private residential sales per annum per developer • Assumed two developers for Phase 1a and two developers for Phase 1b • Total of 400 private units sold per annum

2. Global costs

Global costs include infrastructure and land acquisition costs.

It is assumed that finance and developers profit would apply to phase 1b to reflect the risk/ time taken by the developer to deliver the site wide/ global infrastructure. No finance or developers profit has been applied to phase 1a.

Item	Source/ Document	Input/ Assumption
Global infrastructure costs	2018-08-10 Strategic Infrastructure Cost Estimates FINAL	Cost schedule and allocation of costs as per AECOM schedule – see source. Global infrastructure costs include: • Adoption costs • Demolition costs • Inflation
Phasing of global infrastructure costs	2018-08-10 Strategic Infrastructure Cost Estimates FINAL	Start and end dates for each global infrastructure costs are as per AECOM schedule – see source.
Land assembly / EUV+	Deloitte 2018-08-10 Strategic Infrastructure Cost Estimates FINAL	Sites in Phase 1a adopt the costs set out in the latest version of the Property Cost Estimate – see source. It is assumed that these costs are incurred in January 2019. Sites in Phase 1b are based off an Existing Use Value of £2.8 – 3m per acre, plus 20%. It is assumed that these costs are applied to the cashflow when individual sites are sold. An additional 5.8% has been applied to the costs to take account of purchaser's costs.
Developers profit	Deloitte	Developers profit of 15%, applied to all global infrastructure costs in phase 1b only.
Finance	Deloitte	Developers finance cost of 3.2% and 5% per annum applied to the net position in phase 1a and 1b respectively.

3. Income

The project may generate income from a variety of sources to cover the global costs. These may include, but is not limited to:

- Land receipts – as described above in section 1.
- MUSCO/ESCO
- Contributions

Item	Source/ Document	Input/ Assumption
MUSCO/ESCO	OPDC/ AECOM	**MUSCO/ESCO** • 60% recovery **Electrical Power** • 50% recovery **Waste/envac** • 50% recovery
Contributions	OPDC – source tbc	• HS2 contribution £28m • TfL contribution £8.6m