

East Northamptonshire – Affordable Housing Viability Model

1. Introduction

This note has been prepared in response to the comment made on the EDAW Affordable Housing Viability Model

2. Discounted Cashflow

This was not discounted at the time as it should have been to show at NPV as well as the cashflowed number we are addressing this to illustrate the difference, although obviously on the smaller schemes this is likely to be negligible.

3. Land Value

We have fixed the land value in order to test a number of scenarios. The use of a constant (i.e. costs) has allowed us to model these positions as the volume becomes the variable as we would do in a standard economic analysis model. We felt in developing this that our single assumption would allow for robust interrogation of the work. We note the comments from Atis and agree that the methodology put forward is not the standard manner of calculating land values. The basis for £90k has been taken from research on recent transactions within the area based upon title information within our possession and settlement deal that we are looking at in the current climate.

4. Range of Sensitivities

We were happy to look at sensitivity models if so requested

5. Timescales

We note the points raised particularly that relating to build cost inflation and its impact on the provision of these houses. We had taken a view on the smaller developments that these might be provided by small niche developers who may not have financing to proceed with all of the units at a single time and therefore would need completions and revenue in order to proceed to the next unit. We have also taken a view with this in relation to the cost as a smaller developer may be able to manage his cost and labour overhead over a period of time, however we would accept that over the stated periods and application of inflation would be required.

6. Costs

As we had no specific design details on any of the schemes we have used specific data which has been produced by cost consultants (G&T, EC Harris) for schemes within the Northampton and East Northants Areas which we have applied to similar developments. We appreciate that costs can be very subjective and without general design information are difficult to establish. We would accept that the costs for the apartments are relatively low and we have used gross areas to cost these elements.

Again we have had to make estimates of inventions interims of utilities and infrastructure costs and these have been applied pro rata from existing cost plans. In illustrating the economies of scale the savings that have been delivered are marginal but we did wish to illustrate the potential for savings of these units and thus illustrate that the reduced costs on a larger scheme by the greater spread of prelims etc would be beneficial.

We accept the point on the abnormal costs and note the reviewers point. This is simply a labelling issue within the general model and the section was used to illustrate the costs over and above the base build position.

7. Revenue

We note the issue on build cost inflation and have re-run the models with these included, understandably they make the viability position less favourable as a result.

8. Affordable Housing Revenue

We discussed the approach to affordable housing with the Housing Corporation (HCA) when we undertook the model and agreed to approach this on the basis of an average rental. Again we accept the reviewer's comments that a more detailed assessment of needs and means would have been beneficial. We would observe that for the ease interrogation we adopted the approach put forward. We would also note that we agree with the statement made by the reviewer relating to levels at 'which a developer would require from the RSL to make the scheme economic' as not being correct and that all developers must assess the requirements as part of their appraisal process.

9. Calculation Errors

Due to the fractional nature of calculations these errors appear to have occurred, we will attend to these as a matter of urgency and provide revised information.

10. S106 & Contingency

We would accept the observation and will adjust the s106 accordingly. We have used a base contingency just purely given the size of the developments to hold some cash we are happy of course to show this as a consistent percentage.

Angus Duguid

Director