

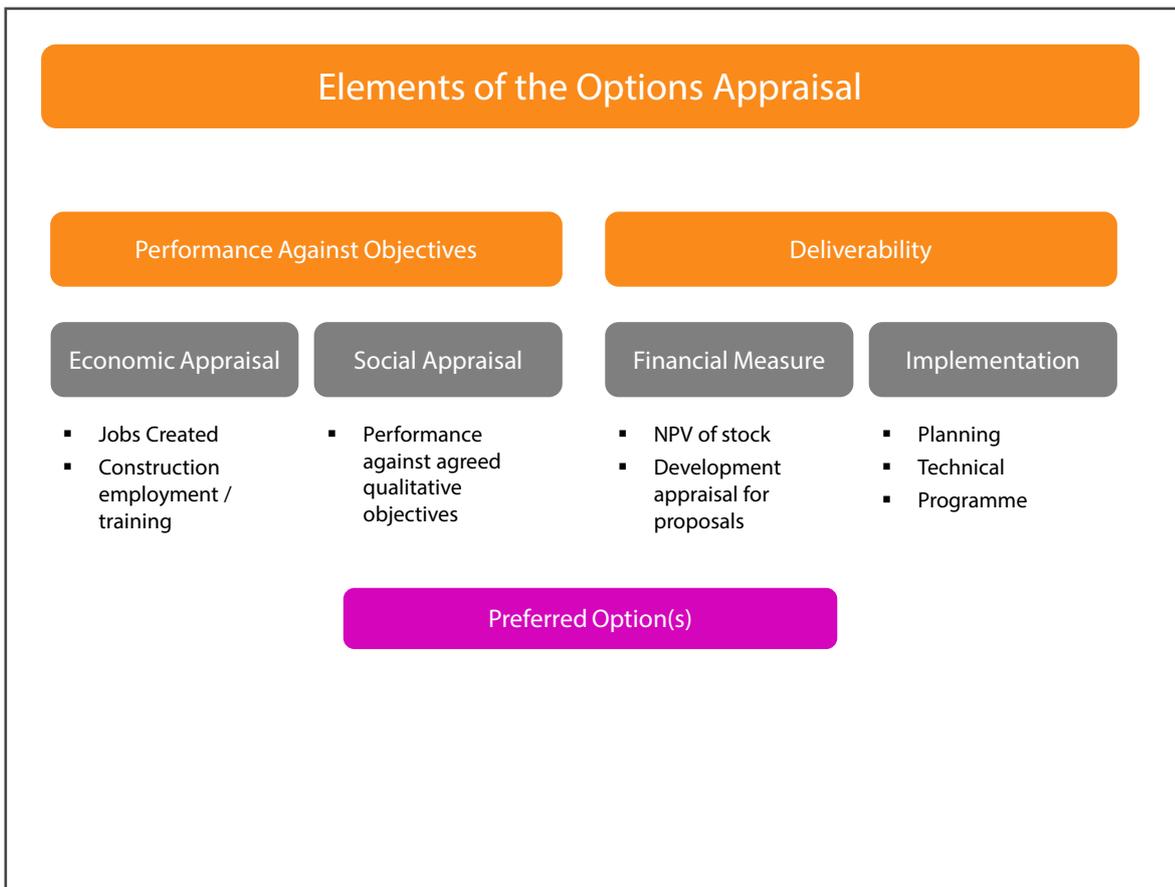
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Section 5.
Option
appraisal
process

Section 5. Assessment Process

Each Option has been assessed on the same basis to ensure a fair and transparent approach.

The diagram below indicates how different elements of the appraisal are brought together. The overall aim is to select an option or options which are deliverable and meet the target objectives which were identified early in the process.



5.1 Deliverability

5.1.1 Financial Appraisal

Existing Homes

A financial assessment of the existing homes within Juniper Crescent & Gilbeys Yard has been undertaken.

The Net Present Value (NPV) of existing homes represents the value of future rents less costs such as maintenance and management, calculated over 30 years. It is a value of future income; not necessarily a sum that is available today.

Any improvement to the NPV, e.g. through refurbishment of the existing homes which reduces future maintenance costs, could be used to invest in homes.

The NPV change is combined with the costs and revenues from any development works to determine if an option is financially viable.

Development Appraisal

A development appraisal of each option was prepared taking into account all costs and revenues. Inputs and assumptions were prepared by specialist consultants e.g. sales values by a local agent and build costs by a quantity surveyor.

Within the infill, partial and full redevelopment options private homes are sold to generate the necessary funds to pay for new affordable homes or other improvements. In these scenarios a 20% margin for development risk / return is included. This sum ensures that the scenarios are robust and can remain viable if sales values or build costs change. The figure also allows a proportion of risk to be transferred to a delivery partner if appropriate and for external finance to be raised from lenders. If One Housing has any surplus at the end of the project this will be used to help support the delivery of affordable housing in line with its wider business plan.

All options do not currently include any grant funding for affordable housing. It is anticipated that if any option is considered further OH would consider applying for grant funding this would enable additional new affordable housing to be provided over any above the reprovion requirements as well as the viable affordable amount.

Where the combination of the NPV change and development appraisal derives a surplus this means it is financially viable. Where a deficit is derived this is financially unviable.

A template of the development appraisal is set out at figure 4.1, full copies of each financial appraisal are appended to this document.

Figure 5.1 - Development Appraisal Template

Combined Scheme Appraisal									
Area Schedule									
	NIA	GIA	GEA						
Retained Existing Floorspace (sqft)	0	0	0	0					
New Reprovision Floorspace (sqft)	0	0	0	0					
New Private Floorspace (sqft)	0	0	0	0					
London Affordable Rent Floorspace (sqft)	0	0	0	0					
Intermediate Rent Floorspace (sqft)	0	0	0	0					
Total Floorspace (sqft)	0	0	0	0					
% floorspace									
	1 bed	2 bed	3 bed	4 bed	%		Total		
Retained Homes	0	0	0	0	0%		0		
New Reprovision Homes	0	0	0	0	0%		0		
New Private Homes	0	0	0	0	0%		0		
London Affordable Rent Homes	0	0	0	0	0%		0		
Intermediate Rent Homes	0	0	0	0	0%		0		
Total Homes	0	0	0	0	0%		0		
% homes	0%	0%	0%	0%	0%				
Income									
	Dwellings	Total NIA	Epsf				Total		
Retained Homes	0	0	£0				£0		
New Reprovision Homes	0	0	£0				£0		
New Private Homes	0	0	£932				£0		
London Affordable Rent Homes	0	0	£200				£0		
Intermediate Rent Homes	0	0	£423				£0		
Car Parking	No. spaces	£/space					£0		
Commercial	Area (NIA)	Epsf rent	yield				£0		
Purchaser Costs	%	of	£0				£0		
Sales & Marketing	%	of	£0				£0		
Sales & Agent Fees	%	of	£0				£0		
Total Income							£0		
Expenditure									
	Dwellings	Total GIA	Epsf				Total		
Retained Homes	0	-	£0				£0		
New Reprovision Homes	0	-	£268				£0		
New Private Homes	0	-	£285				£0		
London Affordable Rent Homes	0	-	£286				£0		
Intermediate Rent Homes	0	-	£267				£0		
Non Residential	Lump Sum	£0					£0		
Compensation Costs	Per Unit	£0	of	0			£0		
CIL	Lump Sum	£0					£0		
5106		£0					£0		
Development Management Costs	%	of	£0				£0		
Professional Fees, insurances etc.	%	of	£0				£0		
Margin for Risk & Return	20%		£0				£0		
Total Expenditure							£0		
Total Balance before Finance							£0		
Finance Costs							£0		
Total Balance after Finance							£0		
Improvement in NPV							£0		
Overall Summary							£0		

5.1.2 Additional Affordable Homes

The table below presented to residents at a consultation event sets out the different types of affordable housing within Camden. For the financial appraisal it has been confirmed that all existing tenants remain on their current tenancy terms ie. social/target rent or affordable rent. All additional affordable homes are either London Affordable Rent or Intermediate Rent in line with current Camden and GLA guidance.

DIFFERENT TYPES OF AFFORDABLE HOUSING

These are some of the affordable rent types within Camden:



SOCIAL/TARGET RENT

These are affordable rented homes with social rent levels set by the Government (basically the same kind of rent arrangement as all social housing before 2012). Rents are usually less than other types of affordable rent properties but can have a service charge added to them. Most of One Housing's affordable housing residents (particularly those who became a One Housing tenant before 2012) pay target rent.



AFFORDABLE RENT

Somewhat confusingly, there is a specific type of affordable housing called 'affordable rent'. This covers rents that are up to 80% of the local market rate (so you pay 20% less than for a normal private rental in the area). In London this means that affordable rent properties usually cost more than those with a target rent level. However, affordable rents usually include service charges (ie there is usually nothing extra to pay).



LONDON AFFORDABLE RENT

This is a new type of affordable housing defined by the Greater London Authority that replaces Social Rent. The 2017/18 benchmark rents excluding service charge defined by the Mayor of London are set out below:

- **Bedsit/ 1 bedroom - £144 p/w**
- **2 bedrooms - £153 p/w**
- **3 bedrooms - £161 p/w**
- **4 bedrooms - £170 p/w**
- **5 bedrooms - £178 p/w**
- **6 or more bedrooms - £187 p/w**



INTERMEDIATE RENT

Intermediate rent is usually higher than the other affordable rent types explained above, but still less than market rents in the area capped at 80% of market rent. This is intended for people who can't afford home ownership or private rent and are unlikely to qualify for social housing from the Council. Local Authorities may have their own income restrictions for these units which affect the level of discount that can be applied to market rent, this type of product is well suited to keyworkers in the borough.

5.1.2 Implementation Appraisal

To inform the deliverability of each development option a number of key factors were considered:

- Procurement and delivery
- Phasing and decanting
- Programme of completion
- Planning acceptability

Risks and timescales associated with each option were calculated and presented. Levels of funding were also considered as part of the financial appraisal.

5.2 Performance

The second part of assessing each option involves establishing the performance of each option against the agreed objectives set out in Chapter 5, known as the Social Appraisal, and also assessing the initial economic impacts of each development option

5.2.1 Economic Appraisal

The Economic Appraisal calculated the number of jobs created, both full time by new commercial floorspace and through construction and employment/training opportunities created during the construction of each option.

The number of jobs was calculated in accordance with the Camden Planning Obligations Supplementary Planning Guidance which sets an allowance of 1 full time job per 12sqm of new commercial floorspace. The same guidance sets out that 1 construction job is created per £3m of spend.

5.2.2 Social Appraisal

Each development option has been assessed against each agreed social objective in accordance with the scoring system below. This enables comparison of each option based on their total scoring against the objectives.

Scoring System	Comment
0	Fails to meet the objective as a whole
1	Fails to meet nearly all aspects of the objective
2	Meets the objective in some minor aspects but fails in the majority of aspects
3	Meets the objective however there are some fundamental aspects so that this only satisfactory
4	This objective is almost met, though not completely in some aspects
5	Meets all requirements, objective achieved in its entirety



5.3 Process

Each Option was assessed on the same basis across all four measures. Draft outputs for all options were shared with residents at consultation events and refinements made to the options following feedback received.

A copy of the full assessment of each option is provided in Chapter 8.





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