

## Notting Hill Housing Trust

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Nottinghill

### Aylesbury - Financial Viability Note (CONFIDENTIAL)

The Aylesbury Regeneration project was approved at planning application stage by Notting Hill Housing Trust (NHHT) Board on 24 September 2014.

#### First Development Site (FDS)

As detailed in the application documents, the FDS application will provide 51% affordable housing (calculated by habitable room). It would not be viable to provide more affordable housing within this application. As it stands, NHHT Board have approved the development based upon the cross subsidy of £6.7 million between the sale and rent tenures – **increasing the number of affordable homes within the FDS mix would result in the scheme falling below the prudent profit level for NHHT, given the high level of development risk on this project.**

The financial appraisal outcomes presented to NHHT Board were based upon standard NHHT economic and financial assumptions, using current day costs, allowing a construction works contingency of 5%. The shared ownership, market rent and private sales values used in the appraisal were provided by independent valuers Deloitte LLP, taking into account current GLA/Southwark Council affordability caps. The target rent levels were set as per the current national rent regime.

The price NHHT will pay for the FDS land is fixed under the Development Partnership Agreement with Southwark Council at £17.5 million – in order to achieve this land value, NHHT have to cross subsidise the affordable housing with income from market rent properties and private sales.

The Development Partnership Agreement includes an overage arrangement, whereby the Council receives at least 50% of extra private sales income above an agreed trigger value. NHHT and its Development Partner retain only 40% of sales surpluses above this trigger point, with a further 10% payable to NHHT if certain key performance indicators are met, including targets for local employment and training and local procurement.

The table below shows the most recent updated financial appraisal, based on the October 2014 planning application unit and tenure mix:-

Revenue	FDS Units	FDS Appraisal	Masterplan units - inc. FDS	Masterplan Appraisal
Private	365	£126,747,123	1708	£768,950,806
Affordable Housing	403	£84,508,174	1793	£257,890,698
Market Rent	47	£14,559,884	47	£14,559,804
Carparking	99	£1,485,000	766	£11,340,000
<b>Total Revenue</b>		<b>£227,300,181</b>		<b>£1,052,741,308</b>
<b>Costs</b>				
Acquisition		£17,523,000		£51,028,558
Construction		£145,694,204		£656,815,128
Prof. Fees & S106		£26,401,120		£119,011,929
Marketing & Lettings Fees		£5,128,565		£30,817,432
Disposal Fees		inc.above		inc.above
Finance		£5,724,484		£31,251,833
<b>Total Costs</b>		<b>£200,471,373</b>		<b>£888,924,880</b>
Profit		£ 26,828,808		£ 163,816,428
Profit on PS GDV%		21%		21%
Note: Profit is 21% of private sales income including car parking				

### Masterplan – Outline Application

The remaining masterplan sites have yet to be fully designed and costed. The Development Partnership Agreement describes a 'Viability Test' that will need to be undertaken by NHHT and agreed with Southwark Council before each site can proceed to the development phase. The contract with Southwark Council requires a positive land value to be delivered across the whole scheme, with NHHT 21% profit on private sale protected and the delivery of 50% affordable housing, in accordance with local planning policy.

The contractual overage provisions will apply to future development phases as on the FDS – a minimum of 50% of any increase in private sales value after the Viability Test date will be payable to Southwark Council.

### Further NHHT investment

In addition, NHHT is committed to a further investment of £13.1 million to assist the Council with tenant and leaseholder rehousing, and deliver community development programmes through the 20 year regeneration programme.

- Caroline Toogood  
4 March 2015