

# DSA H

Summer 2008

## Development Services Affordable Housing Department



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# DSA H

## Development Services Affordable Housing Department

Our goal is to help deliver financially viable residential led planning consents. In contributing to this process, we have specialist affordable housing knowledge as well as general development consultancy and financial appraisal skills.

We are also here to:

- Help broker or advise RSLs or housebuilders on bulk residential disposal deals (a service which may expand if the Government release additional funds to RSLs to buy private residential from housebuilders).
- Sell Section 106 affordable housing.
- Sell / acquire land with affordable housing opportunities.

Our service is particularly important in current market conditions, for obvious reasons.

# Recent DSAH Highlights (i.e. 2007 or 2008)

## Viability / Toolkit work (all residential led schemes)

### **Oriental City, Colindale, L.B. Brent**

Acting on behalf of Development Securities, we helped to secure a planning consent (involving approximately 600 residential units and a substantial amount of retail and commercial space) with a total of 3% Section 106 affordable housing. We provided all relevant financial viability representations (Toolkit and other) to arrive at this optimum affordable housing provision.

### **Trinity Street, L.B. Southwark**

Acting for London Realty, we helped secure a residential planning consent containing 27% affordable housing. We provided all relevant financial viability representations (Toolkit and other) to arrive at this optimum affordable housing provision.

### **Chrisp Street, L.B. Tower Hamlets**

Acting for Landview Estates, we helped reduce the required Section 106 contributions (i.e. beyond affordable housing) down by around 70% to approximately £1,500 per unit. We provided all relevant financial viability representations (Toolkit and other) to arrive at this optimum Section 106 contribution.

### **Middlesex Hospital, L.B. Westminster**

Acting for Candy & Candy, we provided financial viability representations (Toolkit and other) to help secure a planning consent at local level containing the optimum affordable housing provision (30%).

### **Stratford High Street, L.B. Newham**

Acting for Genesis Housing Group, we provided a Toolkit viability report on this major residential led project (approx 550 units) identifying the maximum sustainable affordable housing provision and identifying a need for significant grant support for the Section 106 affordable housing element. Our report was presented to and discussed with the London Thames Gateway Development Corporation. Consent for the proposed scheme was obtained at local level.

### **Croydon Gateway, L.B. Croydon**

Acting for Schrodgers and Stanhope, we provided all relevant financial viability representations relating to the ability of this major scheme to sustain affordable housing. We inserted a cascade clause into the consent which flexed the tenure make up of the affordable housing to the level of secured grant as a means to sustain a constant value (£p.s.f.) for the affordable housing floor space.



## Planning Appeal Inquiries

### **Market Road, L.B. Islington**

Picking up on pre-application work done by another company, James Brown acted as Expert Witness on viability, valuation and affordable housing matters. The appeal was granted by the Inspector.

### **New River House, L.B. Enfield**

Picking up on pre-application work done by another company, James Brown acted as Expert Witness (on viability, valuation and affordable housing matters) to counter L.B. Enfield's opinion that the refused scheme had inadequate affordable housing. The appeal was granted by the Inspector. James Brown facilitated the insertion of a bespoke cascade clause into the Section 106 which flexes the quantum and type of affordable housing subject to how much grant funding is ultimately secured.

### **Aberdeen Centre, Upper Holloway Road, L.B. Islington**

James Brown acted as Expert Witness (on viability, valuation and affordable housing matters).

## Section 106 Affordable Housing Sales

### **Greenwich Reach, L.B. Greenwich**

We sold 344 built Section 106 affordable housing units to Hyde Housing Association in April 2008. This is probably the biggest Section 106 affordable housing transaction anywhere in London so far this year.

### **Indecon Court, Isle of Dogs, L.B. Tower Hamlets**

On behalf of Millharbour Developments (c/o Oracle), we sold 72 Section 106 affordable housing units to an RSL.

### **Petergate, L.B. Wandsworth**

On behalf of Pierse Holdings, we sold the built Section 106 element of this scheme to Notting Hill Housing Group.

### **The Forge, L.B. Tower Hamlets**

Acting on behalf of Glenkerrin, we sold 62 built Section 106 units within this scheme to Assettrust Housing Ltd, a private affordable housing provider.

### **Wandsworth Business Village, L.B. Wandsworth**

Acting on behalf of Workspace Glebe, we sold the built Section 106 affordable element of this project (53 units) to Octavia Housing & Care.

### **Central St Giles, St Giles Circus, L.B. Camden**

Acting for Stanhope, we sold the Section 106 affordable element of this major scheme to Circle Anglia Housing Association.

### **Former Odean, Gants Hill, L.B. Redbridge**

Acting on behalf of Taylor Wimpey, we sold the Section 106 units within this scheme to Genesis Housing Group.

## Recent DSAH Highlights (i.e. 2007 or 2008)



### Land / Property Sales (on behalf of private owners or RSLs or Local Authorities)

#### **Ramsgate Street, London, E8, L.B. Hackney**

Acting on behalf of Metropolitan Housing Trust, we sold their 0.3 acre site (with planning consent for 66 mainly private residential units) to Telford Homes.

#### **International House, Woolwich, L.B. Greenwich**

Acting for Christian Alliance Housing Association, we sold this 1 acre site (with the benefit of an existing hostel and related income) to a private residential property development company on an unconditional basis.

#### **4 sites with residential consent in L.B. Southwark**

Acting on behalf of Family Mosaic Housing Association, we sold 4 sites with planning consent in Southwark to Telford Homes.

#### **Holloway Road, L.B. Islington**

Acting on behalf of L.B. Islington, we are marketing a local authority hostel as an affordable housing redevelopment option.

#### **The Cricketers Pub, Oval, L.B. Lambeth**

Acting on behalf of a private company, we sold this pub unconditionally to another private company that is now seeking a residential re-development planning consent.

#### **New River House, L.B. Enfield**

On behalf of the owners, we are currently marketing this site/building which has planning consent for 191 residential units.

#### **Stoke Quay, Ipswich**

Acting on behalf of J.G. Land, we sold this site with consent for 351 residential units to Genesis Housing Group.

#### **Digby Road, Hackney**

Acting on behalf of Digby Road Ltd, we sold this non-zoned cleared site unconditionally to a private property development company which is now pursuing a residential scheme.

### Formal Valuations

#### **Greenwich Peninsula and Greenwich Millennium Village**

Produced formal valuation of Section 106 affordable housing units being purchased by Moat Housing Association. Client was Moat.

#### **Wembley 07, Wembley, L.B. Brent**

Produced development finance loan security valuation for Lloyds lending to Quintain. Later valued Section 106 affordable units for Genesis and Family Mosaic.

#### **1 Hyde Park, L.B. Westminster**

Input on loan security valuation with regard to the Section 106 affordable housing element.

#### **West Middlesex Hospital, Isleworth, Middlesex**

Produced development finance loan security valuation report for this entire substantial scheme (a London Wide Initiative project) for Barclays. The borrower was Inspace and Notting Hill Housing Association. This facility was approved in May 2008 (i.e in the current credit crunch environment).

#### **Cambridge Yard, Hanwell, L.B. Ealing**

Produced loan security valuation for HBOS. Lemon Land, who were pursuing a residential planning consent. The site was valued on an unconditional basis. Facility approved. Planning since obtained and site has been sold onto an RSL.

#### **Stonebridge Housing Action Trust, Stonebridge, L.B. Brent**

Produced numerous residential development land valuations on behalf of SHAT as SHAT was being wound up and their assets were being transferred to Hyde Housing Association.

#### **82 West India Dock Road, L.B. Tower Hamlets**

Produced development finance loan security valuation for RBS.

#### **Camden Council Care Homes**

Options appraisal with valuations.

#### **Swan Housing Association**

Acting for NatWest and Swan, we are currently providing development finance loan security valuations for 3 private residential led developments in East London that have planning consent for around 600 units.



## Recent DSAH Highlights (i.e. 2007 or 2008)

### Consultancy

We are currently providing general development consultancy and financial viability advice to numerous developers including private individuals, private companies, RSLs and local authorities on a pre-application and post application basis.

### Lobbying / Profile

- Participated in RICS debate - 'Affordable Housing in a Changing Market - (June 2008).
- Wrote chapter in London Residential Research's 'De-Mystifying Affordable Housing'.
- Contributed to LRR's forthcoming publication on tips to win through at planning appeal inquiries.
- Took part in creation of RICS CPD video on Section 106 affordable housing alongside Femi Adewole of The Guinness Trust.
- Attended roundtable forum at Housing Corporation to discuss ways in which to distribute grant funding more efficiently. This took place in 2007, and again in May 2008.
- Attended private sector engagement meetings at London Thames Gateway Development Corporation to discuss their Section 106 'Tariff'.
- Invited by the GLA to review the Toolkit viability procedure and related software.

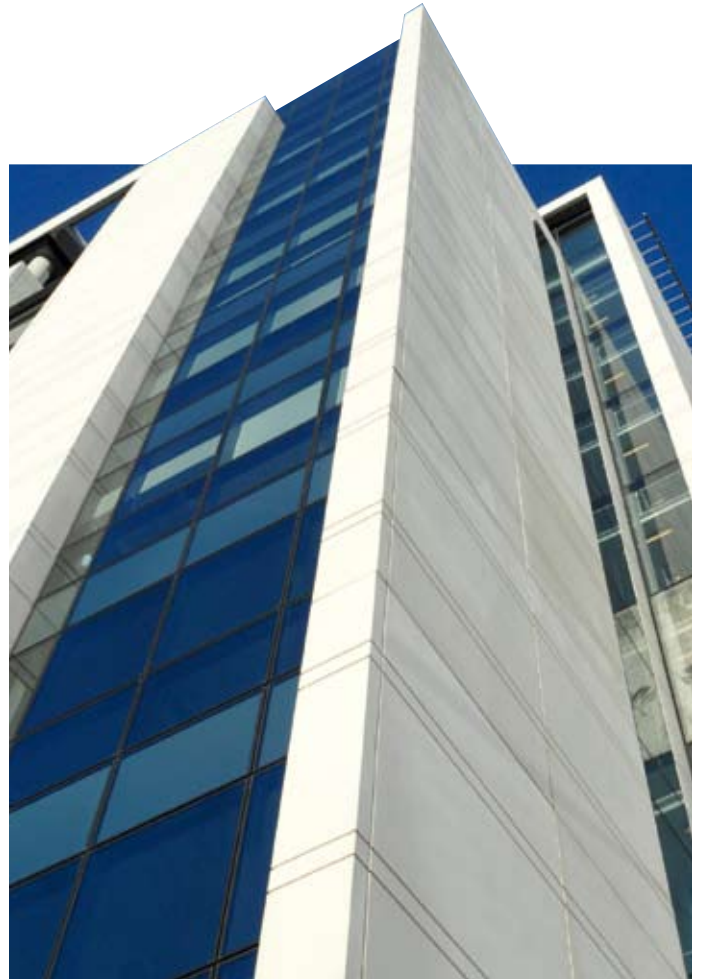


# Market Comment

The market is being held back by the lack of available credit. Even RSLs are finding it hard to borrow money. This will improve in time.

In the short term, we believe the following things might need to happen to facilitate a reasonable (albeit insufficient) amount of new housing (of all tenures):-

- More grant needs to be provided for Section 106 affordable housing to help developers overcome various funding and viability obstacles currently in their way.
- Local Authorities need to relax what have been rapidly escalating 'other' Section 106 costs (e.g. for education, health etc).
- Alternative mechanisms need to be promoted and supported to deliver new affordable housing other than via Section 106. Too much reliance/burden exists on Section 106 affordable housing delivery.
- The Housing Corporation needs to distribute grant assistance for Section 106 affordable housing in a more efficient way based upon the financial dynamics of entire projects and with consideration to 'reasonable' viability benchmarks. Savills can assist with this. Whilst it may be difficult for the Housing Corporation to resource appraisals of each and every proposed development project, they could surely appraise the larger projects (via consultants if necessary).
- Affordable Housing specification requirements should be relaxed and RSLs should be permitted and funded to purchase more surplus private residential stock which is not selling well in the current market.
- Specification requirements, e.g. Code for Sustainable Homes, should be dealt with on a more flexible basis for all residential tenures.
- The demand for more family sized accommodation should not be forced through via rigid planning policy. It should be left to the market to build what is in demand.
- RSLs should, where they have not already, consider going to the Housing Corporation to seek grant to enable them to switch any private residential they might be developing into appropriate formats of affordable housing.
- RSLs should, as soon as they can access funds, start land banking and/or entering into JV arrangements - bearing in mind they tend to find it hard to compete in reasonable to good market conditions. As land values have dropped, DSAH believe that the time for doing this is now.

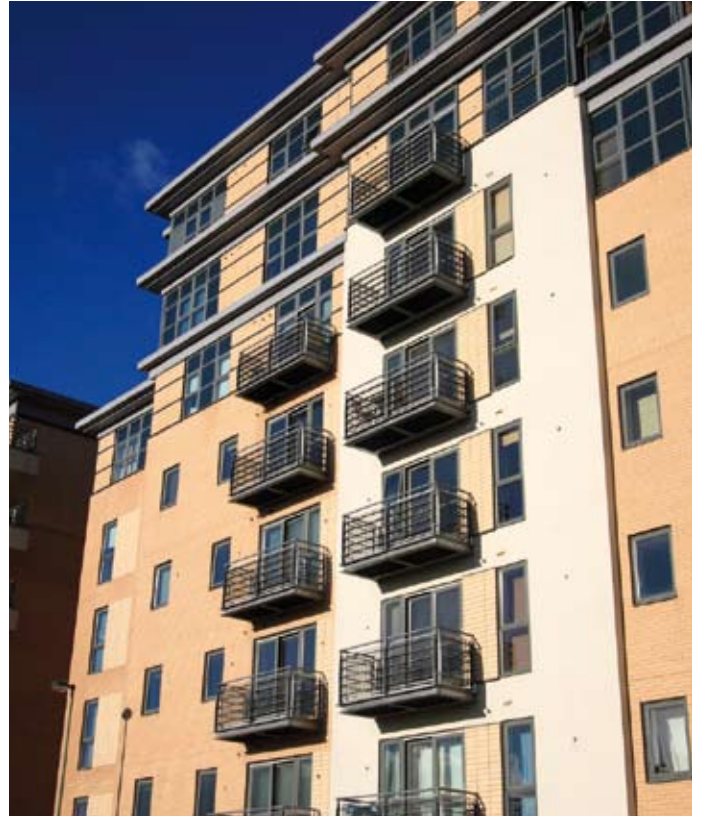


# Ideas on Viability / Funding

## “Health Check” Measures

If you are involved with residential led development proposals that need financial help, it may be worth considering (if you have not already done so - several times over):-

- Have you evolved and presented (to the LPA) a robust viability appraisal by somebody who is willing to stand up at a Planning Appeal Inquiry to defend your position if necessary? If not, we advise that you do, bearing in mind the enhanced aspirations of LPA's in a falling market are such that more planning applications are likely to go to appeal. We can help with this.
- Is the affordable housing provision in your scheme 'optimised' in terms of quantity, tenure split, affordability, grant and the likely maximum revenue and /or worth thereof? We can help with this.
- Are you putting forward an appropriate case to keep a lid on 'other' Section 106 costs? We can help with this.
- Is the affordable housing within your scheme capable of attracting grant support? Has it been appropriately designed and specified? We can help with this.
- Could you sell any of your private residential to an RSL and, if so, at what discount? We can help with this.
- Have you forward sold the Section 106 affordable element of your scheme? If not, we suggest you consider this as it could assist funding (as well as your prospects of obtaining a planning consent at local level)? We can help with this.
- Is the mix between and within the property uses within your scheme optimised, albeit in the context of headline planning policy (e.g. with respect to employment retention policies etc)? We can help with this.
- Have you got the best possible ratio between value and build cost within your project, bearing in mind the recent trend pursuing towers? We can help with this.
- Are you lobbying for a cascade clause linking the affordable housing component of your scheme with grant support and affordable housing tenure? We can help with this.
- If you are a private individual/company, could you sell your whole site to an RSL? If you are an RSL, could you sell your whole site to a private developer? Is there a JV option that suits both sides? We can help with this.



Our service is particularly important  
in current market conditions,  
for obvious reasons

## The Team



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