Ebury Bridge Community Futures Group – Meeting 5

10th January 2018, 6pm – 8pm

Ebury Youth Club, Edgson House Basement, Ebury Bridge Estate

MEMBERS ATTENDANCE:

- Fiona Quick [FQ]
- Mohammed Eisa [ME]
- Rachel Riley [RR]
- Rhoda Torres [RT]
- Mike Smith [MS]
- Tammy Dowdall [TD]
- Waleed Shaath [WS]

APOLOGIES:

- Carly Taplin [CT]
- Stephen Rusbridge [SR]
- Shaista Miah [SM]

MEMBERSHIP UPDATE:

- Shaista Miah [SM] has resigned from the group due to other commitments

WCC OFFICERS:

- Tom McGregor [TM] – Director of Housing and Regeneration – Interim Chair FPP
- Jodie McCarthy-Mills – Senior Regeneration Project Manager
- Martin Crank [MC] – Ebury Bridge Community Engagement Team
- Chris Le May [CLM] - Ebury Bridge Community Engagement Team
- Sophie Camburn [SC] – Arup Consultancy Director
- Chris Scott [CS] – Arup Financial Modeler
- Louis Blair [LB] – First Call Housing - Independent Resident Advisor

NOTES: *This document provides a summary of the discussions which took place during the meeting including questions and respective responses that were raised during the session.*

Welcome and Introduction

TM opened the meeting by welcoming everybody. Attendees provided introductions including the members of the design team from Arup.

TM: Introduced new Senior Regeneration Manager, Jodie McCarthy-Mills to the group. Jodie will be leading the project through to completion.

Review meeting notes from 5 December 2017

Following a review of each page by exception, the following amendments were agreed:

Page 1. Agreed as written

Page 2. Suggestion from RR 'ambitious should read accelerated' - agreed

Page 3. Comment from FQ 'language should be replaced with layout' – agreed

Page 4. Comment from FQ 'replace viability assessment with high level assessment' – agreed

Page 5. Comment from TM/MC 'change investor to developer' – agreed

Page 5. Agreed as written

The CFG agreed the remainder of the minutes were an accurate record of the meeting. A copy of the minutes will be posted on the project website.

2. Matters Arising

TM: We have listened to the views of residents and we will work at your pace. We will extend the consultation/engagement process if this is what both the CFG and residents want. We are happy to look again at the timetable.

RR: People in the five blocks haven't previously had an opportunity to get an understanding of what renewal of the estate might involve

RR: It is also vital that we have business representation on the CFG

MC: Following discussions with a number of business owners it is anticipated we will have business representation in time for the next meeting.

3. High Level Assessment of Viability

SC: At the last CFG meeting we began to share with you the criteria and high-level assessments we had made against three options; complete refurbishment of the estate, the consented scheme and a hybrid option which included increased density on the consented scheme in order to improve the financial viability.

SC: This exercise gave us a greater understanding of why the previous scheme failed to progress and outlines the complexity involved in producing a deliverable scheme.

SC: Chris will now go through in detail each scenario and the numbers/assumptions we have made and the rationale. Please let us know if this information is difficult to understand and requires further explanation.

CS: My background. I am RICS accredited Chartered Surveyor with over 22 years' experience in construction and financial modelling.

CS: With any scheme there are generally three items that affect the viability of a scheme, they are revenue, costs and time.

CS: Before I begin the presentation, it is important to remember the land value is the key to the project. Westminster City Council will retain ownership of the land but will offer a developer partner the right to build out the homes on the land.

RR: Who sets the land value as this is a prime location.

CS: The land value is a function of the financial model. The 'land value' is the figure a development partner will pay WCC for the right to build out homes on the land. Cost and revenue values have been set by Hamptons (a property agent with local expertise) using comparables from similar schemes in the locality.

CS: The financial viability is assessed by building a cash flow forecast of future costs that would be incurred in planning, designing and building the new scheme, and the revenues the scheme would generate once completed. The model has three main sets of values; Revenue, cost and time

Key elements of the high level financial model

CS: Mix of Homes and Uses under consideration; refurbished homes, re-provided homes, new private homes, new affordable homes, car parking spaces, new retail accommodation, community uses, public open space

CS: Mayors London vision states that 50% of all new units (over and above the re-provisioned units).

CS: We set out a schedule of accommodation based on guidance from WCCs affordable housing team. Changes in requirements will be factored in as the project develops

LB: Housing needs assessments have already been carried out on 5 blocks with further assessments to be carried out when required

LB: The current assumption is that there is 100% leasehold reprovision, 60% of the affordable housing will social rented, the remainder will be intermediate rent. This is the best-case scenario for affordable housing and is not guaranteed.

FQ: Where has the assumptions on the leasehold valuation been assessed against

CS: Private agents Hamptons provided the data based on comparable schemes in the locality

ACTION: CS to provide details of the comparable schemes and initial slides to be shared electronically

ACTION: MC/JM Initial slides to be shared electronically

FQ: Is there a correlation between the Hamptons research and these assumptions

CS: No the calculations are based on sq.ft figures and Hamptons advised mix.

Revenues

CS: This is where the income comes from; i.e. intermediate sales, private sales, social sales, car parking, retail rents and investment sale of retail

CS: The model does not include ground rent, developers cannot now charge a ground rent – which is good news

CS: Income is generated through the affordable housing grant when WCC buys these properties back from a developer

CS: The model assumes that following a marketing campaign a developer will receive 25% of their income back on sales straight away 'off plan' with the remaining 75% over an 18 months sales period from the point of completion. Once completed, the retail units will be let then the leasehold interest sold to an investor within a 12 month period.

CS: WCC is providing an Affordable Housing Grant as a cost subsidy for each affordable home built.

RT: Where is this fund held

TM: The Council could possibly apply to the GLA for additional funding.

CS: There is a difference between the Core and Prime property markets. Our most appropriate comparable site (to price construction and sales costs against) is the Simon Milton development. We based our judgement of £1,500 per square metre on the Simon Milton development costs.

Costs

CS: There are different cost assumptions that are split between Hard Costs, Soft Costs, Finance Costs, Land Acquisition Costs and Profit

CS: Our cost consultants Gardner and Theobold have provided the costs (comparable evidence)

CS: Hard costs include refurbishment, private residential etc. Soft costs include professional fees, planning costs, marketing costs etc

CS: We have factored a 20% contingency against all the costs but we expect the developer to reduce this as the financial model is refined

CS: Marketing costs should reduce in line with inflation

FQ: Is there NPV (Net Present Value)

WS: Are the scenarios stress tested

CS: Inflationary pressures are tested against the scenarios (stress tests)

Finance Costs

CS: It is assumed the development partner will invest 50% of their own equity and secure a specialist bank loan against the rest which incurs fees and interest.

FQ: Are interest costs factored in to projections

CS: Developers are responsible for interest costs

Clarification added by JM: This refers to the additional costs that may be attached to investment/funding/loans sought by developers to enable construction projects to be delivered. These could include borrowing fees, interest etc

FQ: Are disturbance costs factored in to the assumptions

TM: Disturbance costs are held separately by the council for project

CS: Lambert Smith Hamptons have provided expert advice on CPO costs

Profit

CS: We have modelled contractor profit based on a 15% margin. Private developers would normally rely on a 20% profit margin but as WCC are taking on much of the risk (such as planning). This gives us enough ammunition to attract developers to the project.

RT: How many developers are likely to be interested in the project

CS: There are circa 30 developers on the long list we will however go out to public procurement either through OJEU or a developer panel (GLA, TFL etc)

TM: I have experience of working with developers who are well versed with working with residents on site.

CS: We will go through a sifting process to source a contractor

JMM: We will look to experienced developers on frameworks who have good access to supply chains to maximise value for money.

CS: Finding the right organisation is key, I am currently working with BFirst in barking on their regeneration work

Time

CS: Inflation over time will impact the modelling. Cash flow month by month will apply inflation to cost

CS: Revenue inflation assumptions have been taken from non-prime central London house price forecasts from JLL, Knight Frank, Savills (we have then taken an average across all three agents)

CS: Cost inflation assumptions will be based on annual forecasts for the next 4 years. Model is incredibly sensitive to inflation.

Scenario Testing

CS/SC: We previously discussed three scenarios. We will now look in detail at all scenarios and where they do/do not meet the criteria;

Scenario 1 – All existing buildings retained and refurbished

- None of the existing blocks would be demolished
- No increase in affordable housing
- 100% cost to WCC – no income from private development
- No opportunity to improve community infrastructure

Scenario 2 – The consented scheme (partial demolition and refurbishment)

- Demolition of 172 homes
- 99 additional new homes
- £90m additional costs in delivery

Scenario 3 – Enhanced consented scheme (Partial demolition and refurbishment)

- Would not be acceptable to planning due to density
- 620 new homes would need to be built

- Could potentially break even

Scenario 4 – Partial demolition & refurbishment (retaining Bucknill, Rye, Victoria & Westbourne)

- Unlikely to gain planning consent and would require 507 new homes to be built on the site
- Limited opportunity to improve the quality of the estate
- Leaseholders would be required to contribute significantly to refurbishment costs

Scenario 5 – Partial Demolition and Refurbishment (Retaining Doneraile)

- Challenging to meet planning consent due to increased density on remaining parts of the estate
- Would just meet the financial viability criteria
- Leaseholders would be required to contribute significantly to refurbishment costs

Scenario 6 – All existing buildings demolished, replaced by 650 new homes

SC: This option demonstrates the close working between myself and Chris in meeting the requirements of the scheme whilst stacking up financially

- Full redevelopment of the estate
- 654 new homes re-provided
- Would require significant further investment from the council

Scenario 7 – All existing buildings demolished, replaced by circa 750 New Homes

- Full redevelopment of the estate
- 750 homes re-provided in phases (sequencing)
- Would meet the financial criteria

SC: Although this option presents a significant design challenge this presents the most balanced scenario

Scenario 8 – All existing buildings demolished, replaced by 800 new units

- Full redevelopment of the estate
- 807 homes re-provided in phases
- Would meet the financial criteria
- Presents significant planning risk, too dense

SC: The planning risk would make this scenario difficult to achieve. Planning policy (London Plan) metrics allow for 800 units although this would be difficult in the location.

Scenario discussion

WS: What are the planning specific risks around scenario 7?

SC: Following initial conversations with the planners, height may be a challenge. It will be important to explore design options that fall within this scenario.

TM: Any option that involves redevelopment will be carried out in a phase to minimise impact. The model currently assumes three equal phases.

SC: Our ambition is to sequence any work so that residents only have to move once from their old home to their new, with no off site moves

TD: Does this mean that all 300 households will have to move at once

LB: No residents will be moved on a phased basis when new properties have been completed

The chair thanked Arup for their presentation. At this point representatives from Arup left the meeting.

Update on permanent Chair

MC: Interviews with candidates are still progressing with support from members of the CFG, and if a successful candidate is appointed we will be in a position to update the group (hopefully next week).

AOB

MC: Offer of support to the Resident Association with advertising meetings etc

Dates of upcoming meetings / events

No meeting on 17th January

Site Visit to St John's Way Estate Clapham – Sat 20th Jan

Next CFG meeting 24th January – Design concepts

Wider estate sessions on Thu 25th and Sat 27th January.