

1.0 INTRODUCTION

- 1.1 St James Group has submitted a planning application to the London Borough of Richmond upon Thames (LBRuT) proposing the redevelopment of the former Twickenham Sorting Office to provide a residential led mixed-use development.
- 1.2 The development will provide 110 residential units (82 apartments and 28 houses), 2 restaurants, a new Community Building and new public open space.
- 1.3 The proposed development is supported by a detailed viability appraisal which has been prepared in accordance with LBRuT requirements set out in the Core Strategy ("CS") (particularly paragraph 7.2.6), the Development Management Plan ("DMP") and also emerging guidance set out in the Draft Affordable Housing SPD (March 2012). It has also been prepared in general accordance with the GLA Three Dragons Toolkit guidance. The appraisal includes detailed information on land cost, private sales and commercial use revenues, development costs, planning obligations and Community Infrastructure Levy ("CIL") contributions. It also refers to discussions held with relevant Registered Providers.

2.0 DWELLING AND TENURE MIX

- 2.1 The viability appraisal confirms the residential mix of the scheme which is 66 apartments (1 and 2-bed) and 28 houses (3 and 4-bed) for private sale, and 16 apartments (7 x 1-bed and 9 x 2-bed) for affordable housing all to be shared ownership and delivered in accordance with the Council's affordability criteria.

3.0 APPRAISAL SUMMARY

- 3.1 The following provides as summary of the information provided in the appraisal:

Development Revenue

- 3.2 Development revenue includes predicted sales revenues for the new Private Residential homes (based on comparable local market evidence), the estimated price a Housing Association will pay for the Affordable Housing (based on written offers) and the estimated capital value of the restaurant units. The total gross development value for the project is £57.093m.

Land Cost

- 3.3 A report on the land cost of the site has been provided by an independent property surveyor which reflects comparable land transactions, market competition for the site and residual valuations based on an agreed form of alternative, commercial led development. The value has been confirmed at £9m (excluding legal fees and stamp duty (SDLT)).

Development Costs

- 3.4 Development costs include those related to land acquisition (land cost plus stamp duty and professional fees), construction, sales and marketing, legal, other professional fees, planning application costs and financing.
- 3.5 An independent Quantity Surveyor has provided a cost plan confirming the proposed construction costs relating to the residential and commercial elements of the scheme and the Community Building which in itself will cost £4m. Total construction costs are estimated at £32.739m. This includes the costs demolishing and decontaminating the existing site, the costs of developing the site and includes fees, preliminaries and abnormal costs.
- 3.6 The developer is also required to make contributions to the Council (“S106 Contributions”) and the GLA (CIL) that reflect the impact of the scheme on the local area and contribute to the infrastructure of the local area. These costs are summarised below: contributions:

Education	£490,000
Health	£ 30,000
Public Realm	£200,000
Heatham House Improvements	£ 93,000
5% Management Fee	£ 40,650
<u>Total contribution</u>	<u>£853,650</u>

- 3.7 In addition, £500,000 must be paid towards the Mayor's Community Infrastructure Levy generating a total for S106 and CIL payments of £1,353,650.
- 3.8 An allowance is also made in the Toolkit for Sales and Marketing (S&M) costs and planning fees.

Developer Margin

- 3.9 The Three Dragons Toolkit allows the developer to make a margin on the development. The viability model adopts the standard headings used in the Three Dragons Toolkit where separate margin rates are allowed for against the affordable housing (6% on delivery cost – to reflect lower risk), for private sale dwellings (17% of Gross Development Value) and on commercial sales (20% of Gross Development Value) and an allowance for overheads (6% on total development costs). The developer margin is included within the viability as a cost as set out in the Toolkit guidance.
- 3.10 Taking into account all of the above the overall development costs for this project are £61.075m

3.11 The viability as assessed by the Three Dragons Toolkit is summarised below:

	£'000
Revenue	
Private Residential	51,041
Affordable Housing	3,348
Commercial	2,251
Ground Rents	453
Total Revenue	57,093
Costs	
Land cost (inc legal fees & SDLT)	9,540
Build costs (inc fees & Prelims)	32,739
Planning fees	583
CIL & S106 costs	1,354
Sales & Marketing costs	2,198
Finance costs at 7%	3,400
Developers margin & costs (19.72%)	11,261
Total allowable costs	61,075
Deficit (total revenue less allowable costs)	(3,983)

4.0 PLANNING POLICY

4.1 Development viability is a key factor in determining the level of affordable housing and this is recognised by relevant Development Plan policies and the NPPF.

4.2 As confirmed in Section 7.2 of the CS and Policy DM HO6, LBRuT will assess each scheme on its individual merits including the overall mix of uses and its community benefit. The viability appraisal has demonstrated that proposed scheme can only deliver 15% affordable housing on the Site. However, there are considerable benefits associated with the proposals for the Site which should be considered alongside the provision of affordable housing. These include the regeneration of a derelict brownfield site, the provision of a new Community Building, provision of commercial activity supporting the vitality of the town and newly created public open space, all within a sustainable development.

5.0 SUMMARY

5.1 The viability appraisal undertaken in accordance with the GLA guidelines, the Three Dragons Toolkit, demonstrates that with 15% affordable housing (all Shared Ownership) St James is

forecast to generate a profit of £7.2m (12.7%) which is circa £4m lower than is permissible under the Toolkit assessment, some £11.26m (19.72%).