

VIABILITY STATEMENT

- 1.0 RHP is proposing to provide 100% of the new apartments as affordable housing. All 23 of the homes will be available for sale on a shared ownership basis. RHP believe that the ability to provide 100% of the new properties as affordable homes more than mitigates the loss of affordable rented homes which would be gained in any private residential development whereby only 40% of the homes would be gained for affordable provision, with 80% of these being for affordable rent.
- 2.0 RHP has discussed the viability of the development with LBRuT housing team and also explored the potential for providing a % of the new homes for affordable rents. Viability appraisals considered a split of 80% affordable rent and 20% shared ownership. The development appraisal has been submitted to LBRuT. It shows that to provide 80% (18 apartments) for affordable rent and 20% (5 apartments) for shared ownership would result in a non-viable scheme for RHP, according to RHP Board approved appraisal parameters. The key indicators being a negative Net Present Value of -2,620,140 and failure for the scheme to pay back within the life of the 35 year loan. To make this scheme viable around £2.5 million of additional LBRuT subsidy would be required to support the GLA and RHP subsidy already included. This would amount to a total subsidy in the scheme of around £156,000 per unit. RHP and LBRuT housing team agreed that this was not an acceptable level and did not represent value for money. A number of other options for combination of affordable rent and shared ownership were explored, all of which require a level of subsidy which is not considered viable.
- 3.0 The LBRuT housing team have provided support for the 100% shared ownership proposal. An extract from the email provided by Paul Bradbury is overleaf:

4.0 Supporting Email (extract) from Paul Bradbury Housing Development Manager:

“We are aware that RHP has worked hard to develop good relations with the current owners to achieve an affordable scheme instead of other schemes that are unlikely to include any affordable housing.

The normal policy requirement for an affordable housing tenure mix of 80:20 affordable rent: shared ownership is not proposed. Housing officers have discussed with RHP the potential for the scheme to include affordable rented homes and have received evidence from you to confirm, that given the owner’s valuation of the site enhanced by the current prior approval for conversion to residential, substantial grant support (from the GLA and our own Housing Capital Programme) per rented unit would be needed. It has been concluded that this would not represent value for money use of the Council’s Housing Capital Programme to support inclusion of rented homes even allowing for the internal subsidy that RHP would be willing to provide. Accordingly we would support the proposed delivery as a 100% shared ownership scheme. The Council’s Intermediate Housing Policy seeks to ensure that two thirds of shared ownership homes are affordable to purchasers with a household income not exceeding £45,000. You have confirmed, subject to further modelling, that this would be achievable for the one bed homes (58% of the total).

Housing would wish to support RHP in delivering this scheme which will provide one of the few opportunities to secure the use of an office building to assist households whose needs are not met by the private market.

Paul Bradbury

Housing Development Manager, Corporate Policy & Partnership Team, Adult and Community Service, London Borough of Richmond-Upon-Thames

- 5.0 The proposed 100% shared ownership scheme will provide a viable scheme for RHP requiring only £30,000 per unit of GLA grant. In order to deliver as many of the new homes within the LBRuT affordability criteria as possible, RHP are proposing to reduce the rent on the unsold equity to below the normal 2.75% rate. The table below shows the affordability based on the latest RICS valuation report. We achieve 52% of the apartments within the £45,000 estimated annual income. This is slightly below the policy requirement of two thirds at this income level. We are unable to drop the initial shares below 25%, as this is the minimum allowed within GLA funded shared ownership guidelines. Any further decrease in rent would threaten liability. LBRuT housing team email, extract provided above, supports this level of affordability.

Plot No.	Floor	Unit Type	Area (sq m)	OMV	% initial share	Share value	Rent on unsold equity per week	Estimated annual income required
1	1	1 bed 2 pers flat	51	£405,000	25%	£101,250	£130.98	£45,000
2	1	1 bed 2 pers flat	51	£405,000	25%	£101,250	£130.98	£45,000
3	1	2 bed 3 pers flat	77	£550,000	25%	£137,500	£177.87	£60,000
4	1	1 bed 2 pers flat	51	£400,000	25%	£100,000	£129.80	£45,000
5	1	2 bed 3 pers flat	65	£530,000	25%	£132,500	£171.40	£60,000
6	2	1 bed 2 pers flat	51	£407,500	25%	£101,875	£131.79	£45,000
7	2	1 bed 2 pers flat	51	£407,500	25%	£101,875	£131.79	£45,000
8	2	2 bed 3 pers flat	77	£552,500	25%	£138,125	£178.68	£60,000
9	2	1 bed 2 pers flat	51	£402,500	25%	£100,625	£130.17	£45,000
10	2	2 bed 2 pers flat	65	£530,000	25%	£132,500	£171.40	£60,000
11	3	1 bed 2 pers flat	51	£410,000	25%	£102,500	£132.59	£45,000
12	3	1 bed 2 pers flat	51	£410,000	25%	£102,500	£132.49	£45,000
13	3	2 bed 3 pers flat	64	£540,000	25%	£135,000	£174.64	£60,000
14	3	2 bed 3 pers flat	62	£530,000	25%	£132,500	£171.40	£60,000
15	3	2 bed 3 pers flat	65	£535,000	25%	£133,750	£173.62	£60,000
16	4	1 bed 2 pers flat	51	£412,500	25%	£103,125	£133.40	£45,000
17	4	1 bed 2 pers flat	51	£412,500	25%	£103,125	£133.40	£45,000
18	4	2 bed 3 pers flat	64	£542,500	25%	£135,625	£175.44	£60,000
19	4	2 bed 3 pers flat	62	£532,500	25%	£133,125	£178.68	£60,000
20	4	2 bed 3 pers flat	65	£537,500	25%	£134,375	£173.83	£60,000
21	5	1 bed 2 pers flat	51	£415,000	25%	£103,750	£134.21	£45,000
22	5	1 bed 2 pers flat	55	£425,000	25%	£106,250	£137.92	£45,000
23	5	2 bed 3 pers flat	65	£540,000	25%	£135,000	£174.64	£60,000

- 6.0 It is clear from the summary of viability reports that the first scenario with 80% affordable rent and 20% shared ownership is not what RHP would regard as viable with a very high negative Net Present Value, despite RHP assuming GLA grant funding and significant levels of internal subsidy. Whereas the 100% shared ownership led project is viable.
- 7.0 We would like to highlight that the 100% shared ownership scheme provides a total of 23 affordable homes, which is in fact greater than the policy requirement of 9 (40%), with 100% nominations in favour of the Council. Given that the scheme also includes a substantial commercial element to help protect local employment opportunities within the borough then this proposal is for an achievable scheme that RHP would be excited to deliver. The alternative is to deliver no affordable housing and leave the external of the existing office block as it is.