Canada Water Summary Note

We have been asked to consider an email note dated 14 August 2013 together with attachments and set out our comments below.

The note considers a number of scenarios and the effect on IRR and quantum of on-site Affordable Housing.

The key baseline assumptions adopted by the applicant are:

1. On-site affordable housing is provided within building E1 (as part of Phase 2) which will provide 236 units reflecting 22.5% affordable housing by area.

2. The project programme has been re-phased to deliver Building E1 as Phase 2.

This indicates a revised baseline output that reflects an IRR of 17.4% and on-site affordable housing provision equating to 22.5%.

The baseline has then been subject to a sensitivity assessment of changing the following appraisal assumptions:

1. Excluded costs of c. £5m added to land cost.

2. Professional fees increased from 12% to 14%.

3. Development Management Fees included at 2%.

We have considered the FVA appraisal model summaries and confirm the outputs of the scenarios are:

Appraisal	**IRR % assuming affordable provided in Block E**	**On-site % of Affordable Housing to get back to IRR 17.24%**
Baseline	17.24	22.5
1. Excluded costs	15.96	19.1
2. Increase Professional Fees	16.42	20.6
3. Include Development Management	16.54	20.7

In a recent update to the Council we indicated the scheme could potentially support between 25-28% affordable housing on-site subject to the project programme assumed in the applicant's FVA. The analysis we have been asked to consider is a re-phasing of the scheme whereby Block E1 is brought forward to provide all on-site affordable housing.

The revised proposal timing is one of the key determinants as this informs the pattern of expenditure relative to revenue receipts. If affordable housing is front loaded in the overall programme and provided within Block E1 this results in a reduction in quantum from 25 – 28% to 22.5% as indicated by the applicant.