

## **Herefordshire Council, Development & Regeneration Programme Former Primary School, Holme Lacy**

**Date of Report:** 10 March 2020

### **References:**

**A:** Former Primary School, Holme Lacy, New Project Request, dated 5 December 2018

**B:** Cabinet Member Meeting, Contracts and Assets Development & Regeneration Programme Report: Holme Lacy Former School Site, dated 11 February 2019

**C:** Pre-App advise, email to Paul Allen, Keepmoat Homes, from Kelly Gibbons, Development Manager Herefordshire Council, dated 13 June 2019

### **Introduction**

A new project proposal was submitted on 5 December 2019 for the consideration and appraisal of a housing development on the former primary school site in Holme Lacy, see ref A. The scope of the work for Keepmoat was to conduct the necessary surveys and site investigations to enable a pre-planning application and development appraisal.

The purpose of this report is to provide feedback to the actions agreed as summarised below:

- Produce policy compliant layout using ilke modular homes (Standard Offer)
- Produce cost estimate and residual land value estimate for the development
- As above for an 'Enhanced Offer' that considers contributions towards the council's social, environmental and economic objectives

### **Pre-App Advise**

A proposed layout was produced following site surveys that comprised of 27 units, excluding the former school building. The proposal for the school building was to remove the extensions to the building and retain the original building.

Following the Pre-App meeting the site has been revised to take into account the feedback. See ref C. The outcome of the changes reduces the number of units to 20 units. The drivers to reduce the numbers were based on proximity to existing homes on the western boundary and density in South East of the site.

The advice also indicated the need to enhance the connection and surface finish to the PROW to the East.

### **Residual Land Value Appraisal**

Prior to the pre-app submission and response, the site was appraised to have a potential RLV of approximately £387k. This was subject to:

- Planning
- S106 contributions
- Ground conditions
- Affordable units being based on Low Cost Market at 70% OMV

Below is a summary of the mix of units and key elements of the appraisal for the scheme as revised following changes as a result of the pre-app advise. It is to be noted that this is after one round of advise and changes to the scheme and more may be required following further rounds of advise and the detailed planning process.

### **Summary of House Types**

#### **Open Market Units**

%	Description	No. Units	GIFA (Sqft)	Total sqft	Unit Value	Unit Value per sq ft	Total Gross Revenue
8%	2B4P house - Cardinham (Det)	1	861	861	205,000	238	205,000
8%	2B4P House - Holt (end)	1	872	872	195,000	224	195,000
23%	3B5P house - Weston (Det)	3	846	2538	235,000	278	705,000
31%	3B5P house - Dalby (semi)	4	872	3488	230,000	264	920,000
15%	3B5P house - Kielder (semi)	2	872	1744	230,000	264	460,000
15%	4B7P House - Bedgebury	2	1114	2228	270,000	242	540,000
100%		13	4,323	11,731	232,692	258	3,025,000

#### Affordable Units (Low Cost Market)

70% of OMV

%	Description	No. Units	GIFA (Sqft)	Total sqft	Unit Value	Unit Value per sq ft	Total Gross Revenue
29%	2B4P House - Holt (end)	2	872	1744	136,500	157	273,000
14%	2B4P House - Holt (mid)	1	872	872	133,000	153	133,000
29%	3B5P house - Dalby (semi)	2	872	1744	161,000	185	322,000
29%	3B5P house - Kielder (semi)	2	872	1744	161,000	185	322,000
100%		7	3,488	6,104	150,000	172	1,050,000

#### Summary of Appraisal

	£	per sqft
<b>Revenue</b>		
Open Market Revenue	£3,025,000	£257.86
Affordable Revenue	£1,050,000	£172.02
<b>Total Revenue</b>	<b>£4,075,000</b>	<b>£228.48</b>
<b>Development Costs</b>		
Build Cost	£2,949,406	£165.37
Overheads @ 5.24%	£213,530	£11.97
Profit @ 12.5%	£509,375	£28.56
Community Infrastructure Vehicle @ 1%	£40,750	£2.28
Sales & Marketing	£183,375	£10.28
<b>Total Development Costs</b>	<b>£3,896,436</b>	<b>£218.47</b>
<b>Planning &amp; Finance Costs</b>		
S106 Contributions	£104,000	£5.83
Legal Fees	£40,000	£2.24
Stamp Duty	£0	£0.00
Finance costs	£40,750	£2.28
<b>Total Planning &amp; Finance Costs</b>	<b>£184,750</b>	<b>£10.36</b>

#### Residual Land Value Estimate

Total Revenue	£4,075,000
Total Costs	£4,081,186

<b>Residual Land Value</b>	<b>-£6,186</b>
RLV per acre	-£3,156
RLV per plot	-£309

## Appraisal Assumptions

Below is a summary of the assumptions within the appraisal:

Open Market Values	Values based on values on the Bromyard Deport appraisal and local comparable open market values.
Affordable Units Values	Based on Low Cost Market product at 70% open market value. Higher value than social rent and intermediate tenure.
Build Cost	Estimate by commercial team based on technical report. Final costs subject to tender.
Overheads, Profit, CIV	Based on tendered DRP rates
Sales & Marketing Costs	Estimate for the sales team to market and sell all units from the site.
S106 Contributions	Estimated based on similar sites, subject to draft HoTs. Not a development cost but liability for HC as land owner or the purpose of the appraisal.
Legal fees	Estimated based on size of site and use of standard DRP development agreement
Finance costs	Estimated at 1% of cost. Subject to modelling when detailed costs tendered and build and sales plan developed

The build cost of £165 per sqft is relatively high, particularly when considered against the anticipated open market value of approx. £256 per sqft. The main driver for the high build cost is the infrastructure costs in relation to complexity to connect to storm and foul sewers and highways access for only 20 units. In comparison, the original 26 unit scheme that was presented for the pre-app advise had an average build cost of £156 per sqft.

## Fee Spend to Date

Survey Type	Cost Estimate	Spend to date
Ecology	£1,950	£4,000
Engineering	£4,850	£4,850
Topographical	£2,290	£2,885
Ground Investigation	£8,350	£14,640
Architects	£2,905	£1,556
Planning Advice		£1,628
Utility fees		£438
Legal	£500	
<b>Total</b>	<b>£20,845</b>	<b>£29,997</b>

The forecast fee expenditure was exceeded due to the advice received during the pre-app due to the desire to find a solution to retain the old school building and additional ground surveys due to presence of an underground spring that a neighbouring property has a right to draw water from.

## Summary

In summary, by applying the feedback provided following the pre-planning advice, the scheme that is seen to be reasonable for the site is 20 homes compared to the original design for 26. The technical challenges for the site combined with the estimated open market values indicate that the site effectively has a nil land value. It is to be noted that this does not consider plans or intentions for the future use of the former school building that could present an income opportunity if an option is taken to dispose of the building on the open market.

At this stage there is also not a guarantee that a planning consent would be secured for the 20-unit scheme as proposed, there would need to be further consultation and consideration for the planning officer's feedback in relation to the relationship between the site and the existing homes to the west boundary.

The development proposal is based on a policy compliant development and no consideration has been taken at this time for enhanced specification given the estimated residual land value. Additional specification regarding sustainability would add additional build costs and considered non-viable at this stage.

### **Next Steps**

In line with the New Project Request, the Council are requested to consider the viability of the proposed development at this stage and progressing to a stage 1 approval. If the scheme is considered to be viable by the council a detailed Stage 0 request will be prepared with the full development fee projection to get to the end of Stage 1.