

## Appendix1 - Special Purpose Vehicle (SPV) Financial Appraisal

### A) Site Example

Below there are 3 options which demonstrate a real site and the outcomes dependent on whether the site is developed for 100% affordable housing through housing corporation grant (option 1) a mix of affordable housing and market scheme (option 2) or an open market scheme (option3).

#### Highfield Gardens – Wortley

Site Size = 0.78 hectares (1.93 acres)

Site Value = £2m

ALMO decant and demolition costs = £450,000

Net Site Value = £1.55m

Estimated total no of units deliverable on site = 56

**Option 1** - (100% affordable housing through Housing Corporation (HC) grant route) would deliver:

- 56 affordable units
- £1.8m grant funding
- £5.9m private sector funding
- £280,000 capital receipt
- £450,000 ALMO decant and demolition costs

In this example by giving up the net receipt of £1.55m the Council enables 5 times this much to be levered in to the site. However, the ALMO will be in deficit of £170,000.

**Option 2** – (mix of affordable housing, PPG3 and HC grant funded, and market schemes - any generated receipts would go to the Council) would deliver:

- 28 grant funded affordable units
- £0.9m grant funding
- £2.9m private sector funding
- £140,000 capital receipt

and

- 28 open market units
- 4 affordable PPG3 units (15% requirement)
- £1m capital receipt

Total capital receipt = £1.14m

ALMO decant and demolition costs = £450,000

Net Capital receipt = £690,000

In this example by giving up the net receipt of £1.55m the Council enables 4.8 times this much to be levered in (assumes a similar private sector funding on the second 28 units)

**Option 3** – through the open market

- 48 open market units
- 8 affordable PPG3 units (15% requirement)
- £1.55m net capital receipt

**B) Land Acreage Options**

Detailed below are 3 scenarios which indicate the numbers of units which could be delivered via an SPV using 40 acres, 77 acres and 120 acres.

**Scenario A – 40 acres (16 hectares)** could deliver over a six year period:

Option 1

- 1152 affordable units
- £38m grant funding
- £122m private sector funding
- £5.8m capital receipt

Option 2

- 576 grant funded affordable units
- £17.3m grant funding
- £61.1m private sector funding
- £2.8m capital receipt

and

- 432 open market units
- 144 affordable PPG3 units (25% requirement)
- £10.4m capital receipt (estimated)

Total capital receipt via Option 2 = £13.2m

Net Capital Receipt after ALMO decant costs (£8.4m estimated) = £4.8m

Total number of affordable units via Option 2 = 720

Option 3

- 864 open market units
- 288 affordable PPG3 units (25% requirement)
- £21m capital receipt (estimated)

**Scenario B – 77 acres (31 hectares)** could deliver over a six year period:

### Option 1

- 2232 affordable units
- £74m grant funding
- £237m private sector funding
- £11.2m capital receipt

### Option 2

- 1116 grant funded affordable units
- £37m grant funding
- £118m private sector funding
- £5.6m capital receipt

and

- 837 open market units
- 279 affordable PPG3 units (25% requirement)
- £20m capital receipt

Total capital receipt via Option 2 = £25.6m

Net Capital Receipt after ALMO decant costs (£16m estimated) = £9.6m

Total number of affordable units via Option 2 = 1395

### Option 3

- 1674 open market units
- 558 affordable PPG3 units (25% requirement)
- £40m capital receipt
- Net Capital Receipt after ALMO decant costs (£16m estimated) = £24m

**Scenario C – 120 acres (48 hectares)** could deliver over a six year period:

### Option 1

- 3456 affordable units
- £114m grant funding
- £366m private sector funding
- £17.3m capital receipt

### Option 2

- 1728 grant funded affordable units
- £51m grant funding
- £183m private sector funding
- £8.6m capital receipt

and

- 1296 open market units
- 432 affordable PPG3 units (25% requirement)
- £31m capital receipt (estimated)

Total capital receipt via Option 2 = £39.6m

Net Capital Receipt after ALMO decant costs (£25.2m estimated) = £14.4m

Total number of affordable units via Option 2 = 2106

### Option 3

- 2,592 open market units
- 864 affordable PPG3 units (25% requirement)
- £62m capital receipt (estimated)

As demonstrated in this exercise, option 2 provides the maximum flexibility in terms of delivering affordable housing and obtaining a capital receipt. Option 2 would allow the SPV to assess which schemes would be suitable to develop on individual sites (i.e. either 100% affordable, a mix of market and affordable housing through grant or a market scheme) whilst taking a holistic overview of city wide affordable housing provision.

*Density assumptions are 72 units per hectare*

*Grant funded schemes assume grant per units = £33,000 per unit*

*Private investment = £106,000 per unit*

*Land valuation for HC funded schemes = £5k per unit*

*Land valuation other is the actual land value, if it not indicated as estimated.*