

## David Shiels

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**Subject:** FW: Elephant & Castle Shopping Centre - updated affordable housing offer  
**Attachments:** Elephant & Castle Shopping Centre S73 - updated affordable housing offer.pdf;  
Elephant & Castle Shopping Centre S73 - updated affordable housing offer.wcfx;  
Elephant & Castle Shopping Centre - Updated DMR valuation 10.06.21.xlsx

**Importance:** High

David,

As requested please see attached the updated Elephant & Castle Town Centre viability appraisal which reflects the updated affordable housing proposal.

### Submitted affordable housing proposal

To re-cap, a Financial Viability Assessment (FVA) was submitted in April 2021 which assessed the maximum amount of affordable housing the scheme could viably provide. The applicant committed to providing 35% of the uplift in habitable rooms as affordable housing. This resulted in the provision of an additional 27 affordable habitable rooms, or 7 affordable homes. The tenure split was provided in accordance with the consented scheme which resulted in an additional 8 London Living Rent Level habitable rooms (intermediate tenure), or 2 units and 19 Discount Market Rent habitable rooms, or 5 units which would be eligible to household incomes up to £90,000.

The FVA assumed that 10% of the workspace would be provided as affordable workspace, at 60% of market rent for a term of 30 years.

The FVA indicated the following results:

FVA Results, Elephant and Castle Town Centre		
S73 Scheme IRR (%)	Target IRR (%)	Surplus / Deficit
10.23%	11%	0.77%

The results demonstrated that on a present-day basis there is a deficit against the target IRR of 0.77%.

### Updated affordable housing proposal – 3<sup>rd</sup> June 2021

An updated affordable housing proposal was submitted to the Council on the 3<sup>rd</sup> June following discussions with the Council and Members. The updated affordable housing proposal is set out below:

- The proposed additional affordable units being delivered now as 4 London Living Rent Level units and 3 Discount Market Rent units
- The proposed affordable workspace offer is to comprise a 25% discount, or 75% of market rent, for a term of 30 years.

The appraisal submitted with the FVA was updated to reflect the following changes:

- The submitted appraisal included grant funding of £385,000 for the additional 7 affordable homes on the East Site. Following further discussions with the GLA, they have confirmed that they will only provide grant funding on the units being provided at London Living Rent Levels. As such, the additional grant funding assumed in the updated viability appraisal has been reduced from £385,000 to £220,000, which reflects the provision of an additional 4 London Living Rent Level units.

- The valuation of the affordable housing has been updated to reflect the additional 4 London Living Rent units being provided, at the expense of 2 Discount Market Rent units. The updated valuation is attached to this email. This now values the East Site affordable housing at a blended average of £29.56 per square foot, compared to £29.75 per square foot assumed in the submitted viability appraisal.
- The valuation of the affordable workspace has been adopted to reflect 75% of market rent. This results in a GDV of £4,562,702.

The above changes to the viability appraisal resulted in the following:

Updated FVA Results 3 <sup>rd</sup> June, Elephant and Castle Town Centre		
S73 Scheme IRR (%)	Target IRR (%)	Surplus / Deficit
10.22%	11%	0.78%

The results demonstrate that on a present-day basis there is a deficit against the target IRR of 0.78%, marginal higher than that indicated in the FVA.

### Updated affordable housing proposal – 10<sup>th</sup> June 2021

The updated affordable housing proposal is set out below:

- The proposed additional affordable units being delivered now as 3 Social Rent Equivalent units and 4 London Living Rent Level units. The unit mix is as follows:
  - 3 x 2 bed Social Rent Equivalent units
  - 1 x 1 bed London Living Rent Level unit
  - 3 x 2 bed London Living Rent Level units

The appraisal submitted on the 3<sup>rd</sup> June has been updated to reflect the following changes:

- The grant funding has been increased to £390,250, reflecting a grant funding rate of £55,750 per unit.
- The valuation of the affordable housing has been updated to reflect the additional 3 Social Rent Equivalent Units being provided, at the expense of 2 Discount Market Rent units and 1 London Living Rent Level unit. The updated valuation is attached to this email. This now values the East Site affordable housing at a blended average of £28.64 per square foot, compared to £29.56 per square foot assumed in the updated viability appraisal.

Updated FVA Results, Elephant and Castle Town Centre		
S73 Scheme IRR (%)	Target IRR (%)	Surplus / Deficit
10.07%	11%	0.93%

The above indicates that the revised affordable housing offer remains the maximum amount that can be viably provided. When compared back to the submitted FVA appraisal, there is a shortfall in profit of c.£1.9m.

Regards

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