

## Sebastian Court – Redevelopment and Delivery Options

<b>Option B1</b>	
<b>28 Affordable Rent and 62 Older Persons Shared Ownership</b>	
Performance	
NPV	-£ 545,379
IRR	5.42%
YR 1 NET YIELD	3.52%
COST TO VALUE	85.78%
ACQ & WORKS	£15,540,000
A&W £SQFT	£ 232

Commentary: This option performs badly because Older Person Shared Ownership limits stair-casing to 75% of open market value and no rent charged on unsold equity. A high initial share has been modelled, which in itself provides for a more favourable position for first year interest cover when compared with other options, owing to the large initial tranche sale of shared ownership home which downsizing older people may be able to purchase. However, when the shared ownership homes on the parameters modelled combine with affordable rent units across the scheme, this has a significant impact on the NPV of the scheme, even taking into account a grant rate of £22k per shared ownership unit. This option assumes the shared ownership is held in perpetuity.

<b>Option B1a</b>	
<b>33 Affordable Rent (nil grant) and 57 Shared Ownership (£22k per unit)</b>	
Performance	
NPV	-£ 1,179,856
IRR	5.58%
YR 1 NET YIELD	3.06%
COST TO VALUE	86.66%
ACQ & WORKS	£15,840,000
A&W £SQFT	£ 232

Commentary: This option assumes an initial tranche sale of 35% for shared ownership homes and a grant rate of £22k per unit. Owing to stair-casing, whilst this option presents a marginally negative NPV across the scheme, the shared ownership element of the scheme performs very well, when based on traditional parameters. No grant is assumed for general needs rented homes, as this is not a current investment priority of the GLA, however, application of Right to Buy receipts to this tenure would have a positive impact upon the scheme which is currently marginal.

<b>Option B1b</b>	
<b>33 Affordable Rent and 57 Shared Ownership</b>	
<b>Performance</b>	
NPV	£ 527,630
IRR	6.34%
YR 1 NET YIELD	3.52%
COST TO VALUE	86.40%
ACQ & WORKS	£15,840,000
A&W £SQFT	£ 232
<p>Commentary: This option applies right to buy one for one funding to develop all rented homes at a rate of £50k per unit. This option presents a positive NPV over the long term cash flow.</p> <p>This option includes £22k Grant per unit LCHO and £50k RTB one for one funding a unit for affordable rent.</p>	
<b>Option B1c</b>	
<b>33 Shared Ownership and 57 Affordable Rent</b>	
<b>Performance</b>	
NPV	-£ 19,812
IRR	6.08%
YR 1 NET YIELD	3.78%
COST TO VALUE	87.43%
ACQ & WORKS	£15,540,000
A&W £SQFT	£ 232
<p>Commentary: This option provides the maximum amount of affordable rented housing possible to achieve a near break-even NPV. Whilst it presents a lower NPV than Option 1B, it provides a higher cash surplus in Year 1 of the cash flow and also provides a valuable stock of 1 and 2 bedroom homes for affordable rent.</p> <p>Rent is capped at LHA rates for Outer North East London.</p>	
<b>Option B2</b>	
<b>33 Sheltered Affordable Rent, 41 Older Person Shared Ownership and 16 Private Sale</b>	
<b>Performance</b>	
NPV	-£ 1,495,668
IRR	4.35%
YR 1 NET YIELD	2.89%
COST TO VALUE	86.04%
ACQ & WORKS	£15,840,000
A&W £SQFT	£ 232
<p>Commentary: The Outright sale tenure alone generates a positive NPV of £616,377 – roughly 18% profit, and therefore this stands as a viable element within the scheme. However, the Older Persons Shared Ownership approach as per Option 1 limits the equity sale to 75% and no stair-casing may take place beyond this which has a detrimental impact upon the scheme, combined with the Affordable Rented homes which perform badly.</p>	