Appendix 1

Brooksby Square, Oadby Town Centre

Alternative Development Scenarios

Introduction

This short paper response to the post Oadby and Wigston Town Centres Area Action Plan EIP discussions regarding the content and phasing of development at Brooksby Square. This has been prepared as a response to the debate about viability and phasing of development at Brooksby Square that took place at the EIP.

BE Group has considered two alternative development scenarios, the first being a residential only development at the north end of Brooksby Square, although this will still include undercroft parking for residents. The second scenario has addressed the retention of residential and retail space to the north of the new public square, including the undercroft parking, and the provision of public realm in the form of the square and a renovated South Street.

In both scenarios, in order to compare like with like with the AAP scheme proposals’ updated appraisals, there is no land value put in for the Council’s ownership. Rather it is assumed value will be taken out at the point of the completed development investment sale.

Scenario 1 – Residential development only
This scenario sees residential development floorspace increased from 2,800 to 2,950 sqm i.e. the provision of an additional two residential units to replace the removed ground floor retail.

The outcome of the changes produces a 7.76 percent profit.

The 7.76 percent profit figure can be increased to exceed a residential developer’s profit margin of 20 percent by returning to pre-recession values of 2007. This is equivalent of £23,000 additional value per unit generating a unit sale of £173,000 instead of £150,000. This reflects a 17 percent increase in value.

There is evidence of a flat being sold in Oadby in 2010 at close to £180,000 in comparable development scheme.
Brooksby Square – Residential Only – Viability Appraisal

<table>
<thead>
<tr>
<th>Option</th>
<th>Costs, £</th>
<th>Development Value, £</th>
<th>Surplus (deficit), £</th>
<th>Profit (loss) as a percentage of cost, percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Freehold(s) Purchase/Lease(s) Acquisitions</td>
<td>Demolition/ Construction</td>
<td>Public Realm</td>
<td>Other Development Costs</td>
<td>Total Costs</td>
</tr>
<tr>
<td>Brooksby Square Residential Only Option</td>
<td>0</td>
<td>5,020,000</td>
<td>0</td>
<td>610,800</td>
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<tr>
<td>5 year forecast as per Inspector’s request</td>
<td>0</td>
<td>5,020,000</td>
<td>0</td>
<td>627,900</td>
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Scenario 2 – Residential & Retail as per original scheme plus revised public realm

This scenario sees 2,800 sqm of residential and 200 sqm of ground floor retail located on the north side of Brooksby Square. It includes 30 undercroft private parking spaces. It also includes public realm to renovate South Street and create the new public square in front of the Methodist Church.

The outcome of this revised proposal would be a ten percent profit.

Increasing residential values by 17 percent (as per Scenario 1 above) and retail rental value to £20 per square foot (which is approximately the equivalent of the currently being achieved £25 per square foot Zone A rental) generates a 26 percent developer’s profit. It should be noted that part of the revised appraisal has involved reducing public realm costs to £175 per square metre, which we understand is still higher than recently approved ERDF funded public realm works elsewhere in Leicestershire.

Brooksby Square – Residential and Retail and reduced public realm

<table>
<thead>
<tr>
<th>Option</th>
<th>Costs, £</th>
<th>Development Value, £</th>
<th>Surplus (deficit), £</th>
<th>Profit (loss) as a percentage of cost, percent</th>
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</thead>
<tbody>
<tr>
<td>Freehold(s) Purchase/Lease(s) Acquisitions</td>
<td>Demolition/ Construction</td>
<td>Public Realm</td>
<td>Other Development Costs</td>
<td>Total Costs</td>
</tr>
<tr>
<td>Residential and Retail north of Public Square and public realm for square &amp; South St.</td>
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<td>269,500</td>
<td>636,250</td>
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<tr>
<td>5 year forecast at Inspector’s request</td>
<td>0</td>
<td>4,890,000</td>
<td>269,500</td>
<td>656,250</td>
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You will see from the appraisals that the logical conclusion is to pursue the second scenario involving residential, retail and the reduced public realm investment. Furthermore, in view of the demonstrated viability and the fact it involves land in the Council’s control, this should continue to be the first phase of Oadby’s development as proposed in the AAP.
Appendix 2

Title: Release of the Council’s Car Parks on a Deferred Capital Receipt Basis.

Author: Rob Harbour, Head of Regulation and Regeneration

1 Introduction

1.1 The emerging Town Centres Area Action Plan Development Plan Document development sites are substantially allocated and sited on Council owned public car parks.

1.2 The Council has previously acknowledged and supported the policy of these new developments, albeit subject to the condition that any existing or new shopper’s car parking should remain free as at present, and with no net loss in the total number of public car parking spaces available in each town.

1.3 On 11 to 13 June the emerging Town Centres Area Action Plan Development Plan Document was subject to a three day Examination in Public, where the Council’s proposals and their detailed deliverability were scrutinised by the presiding Independent Planning Inspector, and invited formal objectors. At the closure of the examination hearings stage the Inspector asked the Council to clarify a key issue relating to the financial viability and deliverability of the Area Action Plan developments proposed on the Council’s car parks in Wigston and Oadby town centres. The Council has until 29 June to provide additional information, such as this clarification.

2 Recommendations

2.1 It is recommended that Members endorse the recommendation for the release of the Council’s car parking land as set out in paragraph 3.8 of this report.

3 Information

Key issue to be clarified

3.1 The Council’s consultants B E Group have prepared detailed financial appraisals showing the financial deliverability for each of the proposed schemes in the town centres.

3.2 They have applied a series of ‘sensitivity analyses’ to these which effectively show best to worst case scenarios. These analyse the key elements of such appraisals. These include: building costs, assumed rents from tenants, sale values, and most relevantly land acquisition costs.
3.3 It has become clear that for these future schemes to be viable, it will be essential that the Council inputs its land via joint venture arrangements with any developers, initially at a nil consideration (i.e. free). This would be subject to the Council subsequently negotiating financial arrangements whereby it could consider if or not to recover a return (i.e. a capital or revenue value) from such developments at a future date. The financial arrangements could allow the Council the ability to take a capital or revenue income from development over a period of time.

3.4 Such disposals could be either by way of freehold or long-term leasehold arrangements (whereby the Council could retain a greater degree of future control). The long term leasehold option would allow the Council to keep long term ownership and control over the land and to lease it out, thereby protecting Council assets in the long term.

3.5 Any such arrangements entered into with any developers would be subject to formal procurement arrangements. These would include legal and financial arrangements that would be bespoke to any individual scheme. At this early stage it is not possible to pre-judge what these might be. The Council will have the ability to consider all terms and methods of any such deals and land release.

What is required now?

3.6 The Inspector is now formally requesting the Council to urgently confirm that it is prepared in principle to:

Allow release of any town centre car park land for development on the basis at an initial nil consideration for any appropriate development scheme, and not seek market values at the outset.

3.7 This would be subject to the Council negotiating appropriately structured deals whereby it would then seek to recover some form of financial return at a future date from such development arrangements.

3.8 Such ‘buy now – pay later’ agreements are consistent with the latest government guidance on un-locking public sector land to secure development.

3.9 By confirming the above, the Council is not locking itself into any specific land disposals, or the detailed basis upon which they might be negotiated and agreed, but merely that it will adopt the flexibility to not seek a return on its land input at the outset of any such future deals.

4 Financial Implications

4.1 It is proposed that any capital or revenue receipt from any relevant land disposals for these sites will be structured on deferred payment basis. It is not possible to assess the detailed financial implications of such future possible disposals in any more detail at this stage. The method of possible land disposal, and the detailed heads of terms agreed with any developer partner will be structured having regard to the circumstances and needs of the Council, and market conditions, at that time.
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