



Viability and Deliverability of the proposed New Lubbethorpe Sustainable Urban Extension

Prepared on behalf of
Blaby District Council
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1 Introduction

Blaby District Council has proposed a Sustainable Urban Extension to the west of Leicester in its emerging Core Strategy. This report considers the viability and deliverability of such a Sustainable Urban Extension. The assessment is consistent with a more detailed appraisal carried out in relation to a planning application for a mixed use development at Lubbesthorpe, as proposed by Hallam Land Management.

The Core Strategy includes for 4,250 residential dwellings, employment uses (21 ha), two primary schools and a secondary school, local and community services (including one district centre and two local centres) and supporting infrastructure.

2 Appraisal Summary

This report sets out a development appraisal which considers the costs of necessary infrastructure required to deliver the SUE. In addition, it assesses the potential returns from the proposed quantities of development and seeks to consider whether this would result in a satisfactory residual land value (when taking into account a reasonable return to potential developers).

The assessment was based on a Section 106 package of £37.95 million (summarised in the table in section 5), infrastructure costs of £107m and the provision of 20% affordable housing plus 5% extracare accommodation (not affordable). The assessment allowed for a developers profit of 20% on value.

The report is conscious of the critical affect of infrastructure costs on the viability of the proposals, we have been supported by Fore Consulting, with regard to transport infrastructure scoping, and Gardiner & Theobald with regard to build and infrastructure costs.

The DTZ review suggests that the scheme will be able to support a larger affordable housing and Section 106 package, as the review calculates a residual land value in excess of £50 million / £51,000 gross acre, which is significantly above the threshold land value.

3 Appraisal Review

We present an elemental summary of the scheme assumptions below.

Item	DTZ	Commentary
Residential Revenue	£715.8m	
Build Costs	£348.9m	
Infrastructure	£107m	The allowance is based on the input of Fore Consulting and Gardiner and Theobald. Within the allowance are included an infrastructure contingency of 10%, and a motorway 'bridges' contingency of 20%.
Section 106	£37.95m	
Finance Costs	£24.8m	
Marketing	£18.4m	
Net Profit	£143.1m	We consider a blended profit on value of 20% to be appropriate. This takes into account the appropriate margin (6% on cost) required for affordable housing.
Land Receipts	DTZ	
District / Local Centres Land Receipts	£5.85m	
Employment Land Receipts	£12.85m	
	DTZ	
Net¹ Residual Value	£50.7m	

¹ After Stamp Duty Land Tax of 7%

4 Infrastructure Review

A schedule of potential offsite highway works, including significant bridge allowances (each to £10 million) is featured below. These have been based on requirements identified as part of the consideration of the Lubbesthorpe planning application.

Off-site Highway Works			
Beggars Lane Junction - phase 1 access	Phase 1	650,000	
New Junction / Baines Lane for bus access to site	Phase 1	146,052	
Site access across the M1	Phase 1	10,000,000	
Upgrading of the Meridian Way / Lubbesthorpe Way Junction	No longer required June 2012	0	
New roundabout / access to Leicester Lane	Employment Access	587,106	
Narborough Road Junction		500,000	
Second Beggar Lane Junction	Phase 2	268,548	
Temporary haul road to M69 bridge crossing	Part of M69 bridge crossing	50,000	
Bridge crossing of the M69	Complete by 200th occupation	10,000,000	
Works to Desford cross roads		104,718	
Other off-site highway works	No longer required June 2012	200,000	
Utility diversions	Provisional sum	1,000,000	
Works to the junction of the A47 with Kirby Lane		160,204	
Improvements to the junction of the A47 and Braunston Lane		533,223	
Improvements to the junction of the A47 and A563 Lubbesthorpe Way / Improvements to the A47 corridor		1,068,064	
Right turn ban to north bound traffic on B582 at the Enderby Crossroads and Beggars Lane Junction		101,419	
Full signalisation to the Foxhunter Roundabout		136,718	
Additional lane on the the link between the M1 junction 21 and the Meridian slip road		1,070,164	
Traffic Calming to Narborough, Kirby Muxloe and Glenfield		70,396	
Enderby cross roads banned right turn		75,745	
Pre-adoption works		801,671	
Fees	Design and other fees, S278 supervision, commuted sum & bond	7,766,988	35,291,016

5 Section 106 Review

A detailed schedule of Section 106 costs is featured below.

Lubbesthorpe						
Section 106						
ITEM	Source / Triggers	QTY	UNIT	RATE	TOTAL	TOTAL
Section 106	<i>Limited information is currently available and the following timing assumptions have been made.</i>					
Education	Timing					
Primary School - 24 places per 100 houses	Primary School 1 - site start	858	places	12,099	10,375,134	
Secondary School - 20 places per 100 houses	Primary School 2 - 2000th occupation	715	places	17,876	12,774,190	
Primary School - 4.3 places per 100 flats (excludes 1 bed flats)	Secondary School - 2000th occupation	13	places	12,099	155,037	
Secondary School - 3.2 places per 100 flats (excludes 1 bed flats)		10	places	17,876	170,466	
FE 16-18	Source	250	places	19,328	4,832,000	28,306,826
	Multipiers as per email from Library Services Department dated 20/5/11. Rates per place to be confirmed.					
Community Facilities	Timing					
Small halls & Community Facilities	Within local centres and district centre	1	item	2,000,000	2,000,000	2,000,000
	Local Centre 1 - 300 occupations - 20.05%					
	District Centres 3 - 1,500 occupations - 59%					
	Local Centre 2 - 3,000 occupations - 20.05%					
	Source					
	No information available - provisional sum					
Public Transport	Timing					
Public Transport Contribution	Spread over 8 years until sufficient revenue generated	1	item	2,000,000	2,000,000	
	Source					
	Waterman Boreham - indicative cost provision					
Travel Plan Costs	Provisional sum from WSP July 2012 - no details yet available assumes payment timings as bus payments	1	item	300,000	300,000	2,300,000
Civic Amenities	Timing					
Civic amenity and waste collection	Assumed over 10 years	4,250	units	28.12	119,510	119,510
	Source					
	E-mail from Director of Highways Transportation & Waste Management 24/5/11					
Library						
1 bed unit	Assumed off-site contribution - 2000th occupation	379	unit	27.16	10,294	
2 bed unit		1,109	unit	54.35	60,274	
3,4 & 5 beds		2,762	unit	63.41	175,138	245,706
		4,250				
Health Care						
1 & 2 beds	Health Centre in District centre - 1500th occupation	1,488	unit	583	867,504	
3 & 4 beds		2,551	unit	1,167	2,977,017	
5 beds		211	unit	1,175	247,925	4,092,446
		4,250				
Museum & Cultural Development						
Interpretation of SAM	Assume 3,000th occupation	1	item	50,000	50,000	50,000
Police & Crime						
Glenfield £15 tk per 250 dwellings	Now excluded					
Public Art						
Public Art Contribution	Assumed over 10 years	1	item	400,000	400,000	400,000
POS Adoption						
Management Company	Now in infrastructure budget					
Planning Officer						
Planning Officer	Assumed site start	1	item	50,000	50,000	50,000
Monitoring / Administration / Misc						
Miscellaneous			1	200,000	200,000	
LA monitoring	Assumed over 10 years	0.50%	%	37,564,488	187,822	387,822
Total					37,952,311	37,952,311
Average / Plot					8,930	
Average / Net Acre (Residential)					141,352	

6 Phasing

The scheme will be implemented in phases over the years 2014 to 2031. As detailed in the consideration of infrastructure (refer to Section 4, above), key works, notably the bridge crossings over the M1 (by 300th occupation) and M69 (by 2000th occupation) will be implemented relatively early on in the scheme, which we have accounted for in our appraisal. Another significant early cost is that £10 million of costs relating to a new Primary Electricity Sub Station, which is scheduled to be installed by 2014, prior to the first house completions. These are significant early costs, and the implications they have on the scheme cashflow are reflected in the high finance costs featured in our appraisal.

7 Viability and Deliverability

As stated in the introduction, we consider that the scheme, which will deliver at least a Section 106 package of £37.95m, affordable housing, extra-care accommodation, and key services and infrastructure, is deliverable. Indeed, we are of the view that the SUE would be able to support a larger, phased, affordable housing and Section 106 package than proposed in the Lubbethorpe application, as our review calculates a residual land value in excess of £50 million / £51,000 gross acre, which is significantly above the threshold land value.