MAXEY GROUNDS

Your Ref:
Our Ref: VJM/21107E
Date: 26th January 2022

Loosegate Developments Ltd
c/o D Brown Contractors Ltd
Seas End Road
Moulton Loosegate
Spalding
Lincolnshire
PE12 6JX

Dear Sirs

Re: Site off Wignal's Gate, Holbeach, Spalding, Lincolnshire

In accordance with your instructions dated 21st January 2022, we have re-assessed the viability position of the proposed development of the above site in light of the increased offer from South Holland District Council for the affordable dwellings. This letter is an addendum to our Viability Report dated 6th September 2021 and summarises the methodology adopted and the adjusted output in light of this increased income.

4no. shared ownership units (Plots 9 – 12) have already been completed and transferred to SHDC at a sale price of £76,423.57 per unit. When we originally assessed the viability of the scheme, we assessed a policy-compliant scheme i.e. 77 units with 25% affordable housing (19no.) and full cash S106 contributions of £445,991 which produced a **deficit** (present value) of £3,093,388. We then removed as much of the S106 requirements as possible and assessed a scheme for 77 units with the 4no. affordables already transferred and no other S106 cash contributions, this produced a **deficit** (present value) of £2,161,611.

The council have subsequently increased their offer to purchase a further 7no. affordable units, taking the total number of affordable units to 11, i.e. 14%. Their revised offer is £668,750 for Plots 43, 60, 61, 56 – 59. Therefore, we have re-modelled on the basis of 77 units with a total of 11no. affordables, 4no. being shared ownership and 7no. being affordable rented and no other S106 cash contributions.

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We have modelled the income from the affordable rented units by adjusting the yield; due to model constraints we can only adjust the income from these by altering the yield or the rent, therefore we adjusted the yield to get the income as close as possible to the actual figure received. The income from the 7no. affordable rented units is £668,750, although is shown on the HCA DAT output as £671,557 which is marginally more than the actual income received. We have also modelled the income from the shared ownership units by adjusting their value to get the income as close as possible to the actual figure received. The actual income from the 4no. shared ownership units is £305,696 and is shown on the HCA DAT output as £305,381.

Overall, the total income from the 11no. affordable units is shown on the HCA DAT output as £976,938 which is marginally more than the actual income of £974,442. We have appraised on the basis of marginally more income as opposed to less so that the output shows the best case scenario. All other values and costs are the same, with profit for market units and affordable units remaining at 17.5% and 6% respectively. As such, the outputs can be directly compared.

The HCA DAT output for a scheme with 77 units, 11no. affordables and no other cash S106 contributions shows a financial **deficit** (present value) of £2,903,494. Therefore, this scheme is clearly not viable once land cost, construction and other costs have been deducted from GDV unless the developer accepts a profit level of below 17.5% even with the increased offer from SHDC.

Yours faithfully

Victoria McIlroy

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