

Contents

Section 3 Financial Robustness

Financial Strategy

Funding Strategy

- **a detailed statement setting out your overall funding strategy and different levels of financing. This should include (but not be limited to):**
 - Bidder and 3rd party equity;
 - Working capital funding;
 - Mezzanine finance;
 - Senior debt;
 - institutional investment;
- **the funding strategy statement should be consistent with your Financial Model and demonstrate:**
 - proposed sources for each form of finance, including letters of support;
 - efficient utilisation of phasing and land value from non-Council development;
 - quantification and demonstration of how the peak funding requirements will be met.
 - The Bidder's proposals as to how a funding deficit will be financed
 - details of key terms and conditions attaching to the draw down of each source of finance,
 - the proposed order of drawdown, repayment and security ranking of each level of financing and
- **detailed statement of any restrictions around the provision of any funding and the likely implications for the Council.**

Funding Strategy

The development is divided into three elements from a funding perspective:

Affordable Housing - Hambrook House and Ivor House will provide both private and affordable accommodation. A contract will be sought with Notting Hill Housing Trust, or another RP to fully fund the affordable elements of the scheme. This will result in no requirement for funding from either the Council or United House.

Private Housing - The private housing provided by Hambrook House, Ivor House, Olive Morris House and Wanless Road will be financed through a mix of equity from United House and senior bank debt. The four schemes would be stand alone developments with no dependency on other buildings. The senior funder would require that the equity is injected into the development before any senior debt could be drawn.

The current market for senior debt is such that the facility amount would be 60% of total fundable costs. This equates to:

	Equity	Senior Debt
Hambrook House	£8.6m	£12.2m
Ivor House	£3.9m	£5.5m
Olive Morris House	£11.2m	£16.0m
Wanless Road	£1.5m	Nil

It would be usual for the senior lender to require that United House provide interest shortfall and cost overrun guarantees. The guarantees will be provided by United House Group Limited, the company that has provided such guarantees on other development projects.

The senior debt facility will contain a number of conditions precedent both to signing and to draw down. These will include:

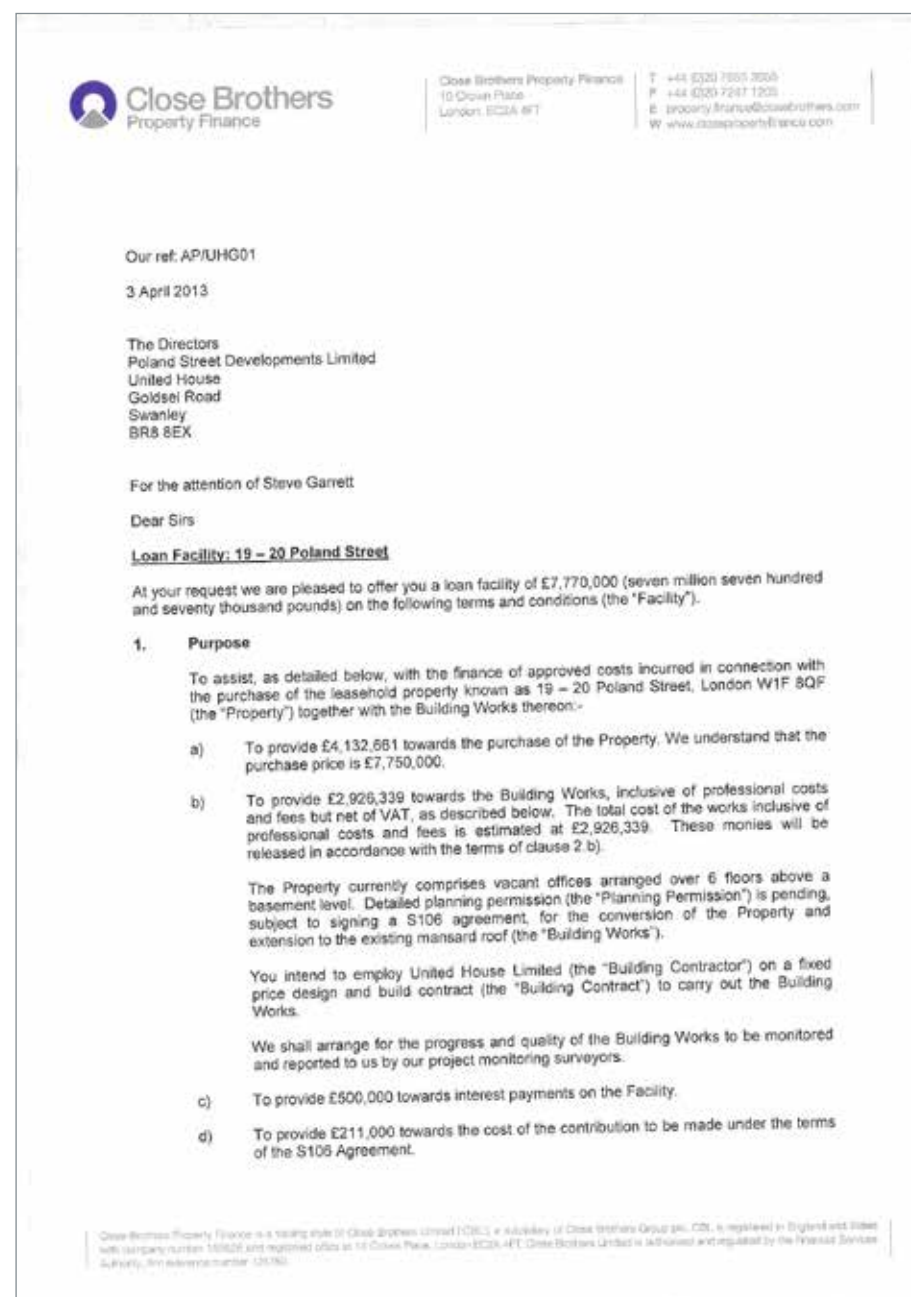
- Security - the senior lender will require security against the loan. This will be satisfied primarily by the lender taking a first charge over:
 - The leases from the Council for the private housing sites. The senior lender will need to ensure that the terms of the leases are satisfactory

- Development agreement for the private housing. The senior lender will need to ensure that the agreement provides sufficient protection both for the developer and to the senior lender in a step in situation.
- The work in progress expended on the sites and receipts from the sale of private housing units
- Report on title
- Independent valuation
- Approval of the construction contract
- Confirmation of planning approval

We show adjacent an example of an offer for funding to give an indication of the likely terms.

Council offices - The cost of the office works (new build and refurbishment) will be funded by the council.

In recognition for the delayed consideration for the surplus sites, i.e. payment when the long lease is granted, United House will pay interest to the council at 5.57%. The interest will be rolled up and paid at the scheme time as the land payment.



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2. Availability and Drawdown

Subject to the terms and conditions of this Facility Letter, and in particular clause 8. below, the Facility will be available to draw down in the following manner:-

- a) Drawdown under clause 1.a) above will be by way of a single payment and in accordance with our solicitors' instructions. Drawdown must take place no later than 3 months from the date of this Facility Letter.
- b) Drawings under clause 1.b) above will be made in tranches against our project monitoring surveyors' certificates and, prior to any monies being drawn down, we shall require their confirmation that the Building Works can be completed for £2,926,339 including professional costs and fees.

We will pay 100% of each certificate submitted for payment.
- c) Drawings under clause 1.c) will be made in accordance with clause 5. below.
- d) Draw down under clause 1.d) will be made by way of a single payment in accordance with our solicitors' instructions upon receipt of their confirmation that this sum has become due and payable under the terms of the S106 Agreement.

3. Expiry and Repayment

The Facility will remain available to you for a period of 18 months from the first drawdown or until 31st December 2014, whichever is the earlier, at which date we shall be pleased to consider (at our absolute discretion) the renewal of the Facility for a further period on terms to be negotiated.

Notwithstanding the above or any other provision of this Facility Letter the Facility is repayable on demand.

We shall require 100% of the sale proceeds of any property (or part of such property) held by us as security to be paid to us in reduction of all amounts outstanding under the Facility.

4. Security

The Facility will be secured by the following documents (together the "Security Documents") which are to be in a form and content satisfactory to us and our solicitors. The Security Documents will represent continuing security until you repay all amounts you owe to us, notwithstanding that the Facility may be varied or amended from time to time:-

- a) A Legal Debenture over all of the Borrower's assets and undertaking.
- b) A first Legal Charge over the Property to be given by Poland Street Developments Limited.
- c) A Costs Overrun and Interest Shortfall Guarantee in the sum of £289,000 to be given by United House Group Limited (the "Corporate Guarantor").
- d) An assignment by way of first Charge over the fixed price Building Contract in respect of the Building Works referred to in clause 1.b) above, supported by appropriate collateral warranties from the contractor and other relevant professionals. The Building Contract is to be on terms and with parties entirely satisfactory to us and to our professional advisors.
- e) All existing and future security granted by you to us in support of facilities made available by us to you from time to time.

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5. Interest

Interest will accrue daily on the total balance outstanding under the Facility at the rate of 5.5% (the "Margin") per annum above one month London Interbank Offered Rate ("LIBOR") and such rate shall be fixed for each interest period. Notwithstanding this, but subject to the provisions of clause 6. below, the minimum effective rate of interest payable to us shall be 6.5% per annum.

Interest will be debited to the Facility and become payable on the first day of each month, and on the date of full repayment of the Facility. Interest will be charged up to the day of final repayment, provided we receive the funds on the date of repayment before 1.00 pm, otherwise interest will be charged up to the next business day. Payment must only be made by cheque or electronic funds transfer.

The monthly interest payments will be allowed to capitalise up to the amount stated in clause 1.c) above. Thereafter you must provide sufficient funds to meet the interest payments on their due dates.

6. Default Interest

If you fail to repay the Facility by the date upon which, under the terms of this Facility Letter, it should have been fully repaid (unless we have agreed in writing to an extension of the Facility) or after we have made demand upon you to repay or it becomes repayable for any other reason then the Margin shall be increased to 7.5% per annum. The minimum effective default rate of interest shall be 8.5% per annum. This default rate of interest will accrue daily on the balance outstanding on the Facility and shall be debited to the Facility on the first day of each month and on the date of full repayment of the Facility.

7. Fees

- a) A non-refundable commitment fee of 1.25% of the Facility is payable on acceptance of this Facility Letter. £20,000 of this fee is to be paid on acceptance and the balance of £77,125 on first drawdown under clause 1.a).
- b) A release fee of 1.00% calculated on the gross sale proceeds or estimated gross development value (as determined by us) of each of the units to be constructed, will be payable by you (and which we may debit to your account) upon the sale or letting of each of the units or upon the repayment in full or expiry of the Facility, or if, at any time, the Facility goes into default or is called in by us whichever shall first occur, subject to a minimum aggregate release fee of £140,000.

8. Conditions Precedent

The Facility will become available, and our obligations hereunder shall only arise, when we have received the following documents or confirmations in form and content satisfactory to ourselves:-

- a) The documents detailed in clause 10. below.
- b) Our solicitors' written Report on Title on the Property, confirming that you have, or will have acquired at completion of the Facility, a good and marketable title to the Property, which may safely be accepted by us as security.
- c) Our solicitors' written confirmation that:-
 - (i) they have received satisfactory replies to their searches on you and the Corporate Guarantor;

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- (ii) they have received your original Certificate of Incorporation and Memorandum and Articles of Association (or legally certified copies) and those of the Corporate Guarantor,
 - (iii) they are satisfied that the acceptance of this Facility Letter and the execution of the Security Documents are all within your and the Corporate Guarantor's corporate powers.
 - (iv) they are satisfied with the terms of the S106 Agreement and that it has been properly executed.
 - (v) the freeholders consent to the Building Works is held.
- d) The Security Documents referred to in clause 4. of this Facility Letter save for the security detailed in clause 4.d) above which must be in place prior to any advance under clause 2.b) above.
- e) A detailed valuation report on the Property addressed to ourselves, commenting on the current condition of the Property and, where appropriate, its condition after completion of the Building Works and commenting on the likely demand for the Property when the Building Works are completed. Such valuation report should be no more than four months old on initial drawdown of the Facility as set out in clause 2.a) above. If initial drawdown of the Facility has not occurred within four months of the date of the valuation report, we shall require a written update of the original valuation, and any additional cost incurred therein shall be deemed a valid Expense payable by you.
- We shall require a minimum valuation of £7,750,000 for the Property in its current condition and a minimum valuation of £14,075,000 on completion of the Building Works.
- f) A report on the proposed development from our project monitoring surveyors, which is to include their opinion of the amount required to complete the Building Works.
 - g) Certified copies of all relevant outline or detailed planning consents including the Planning Permission, relating to the Property and to the proposed Building Works together with copies of all approved plans.
 - h) Satisfactory references on you, the Corporate Guarantor and the appointed Building Contractor.
 - i) A certified copy of the Building Contract.
 - j) Certified copies of the appointments of all relevant professionals who are to provide collateral warranties.
 - k) Confirmation that the completed development will have the benefit of full NHBC warranties or an acceptable alternative.
 - l) Confirmation that all properties to be charged to us are insured, and all relevant insurances are in place, in accordance with the terms of clause G. of our Standard Terms and Conditions.
 - m) Any other document or confirmation which may reasonably be required by ourselves or our professional advisors.

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9. Standard Terms and Conditions

The Facility and this offer are subject to our Standard Terms and Conditions (LoanST&CVersion6) attached, which form part of this Facility Letter. Please ensure that you read these carefully.

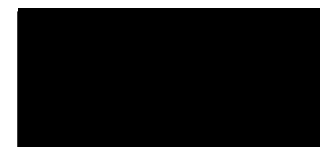
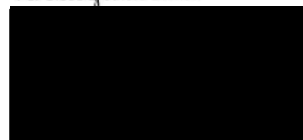
10. Acceptance

To accept this offer of a Facility kindly let us have the following documents, upon receipt of which we will instruct our professional advisors:-

- a) The enclosed duplicate of this Facility Letter signed by you and the Corporate Guarantor.
- b) The enclosed forms duly completed and signed:-
 - (i) Company Mandate.
 - (ii) Company Details Forms in respect of you and the Corporate Guarantor.
 - (iii) Facsimile and e-mail Indemnity Form.
 - (iv) Bank Details Form.
- c) Your cheque for £20,000 made payable to Close Brothers Limited. This payment is in respect of part of the non-refundable commitment fee referred to in clause 7.a) above.
- d) Copy bank statements, covering the past 3 months, in respect of the Corporate Guarantor.

Please note that notwithstanding our general right to cancel and withdraw this offer of a Facility we reserve the right to cancel and withdraw it if we do not receive your written acceptance in accordance with clause 10. above on or before 17 April 2013.

Yours faithfully,
For Close Brothers Limited



Financial Strategy - Sale to Third Parties

Details of proposed arrangements (where relevant) for the onward sale or lease of assets to third parties (e.g. affordable housing, offices or commercial premises). Please provide evidence detailing the proposed end purchaser, with letters of support, detailing key terms and conditions.

Affordable Rented	£1,012,677
Shared Ownership	<u>£856,376</u>
Total	£1,869,053

We intend to use third party sales on this project for the following items:

Affordable Housing both Affordable Rent and Shared Ownership. We have worked with Notting Hill Housing Trust during the procurement process and have an offer from them for the affordable development. We are however not contractually committed to them at this stage. We have worked with Notting Hill on many occasions and they have proved themselves to be best value in terms of the value of their offer for the affordable element of our projects.

If the Council decide that they want affordable Housing in the project, we will contract with Notting Hill on a subject to planning basis prior to signing the Development Agreement.

Due to the small amount of affordable housing, the amounts payable by Notting Hill will be paid monthly on valuation certificates in line with construction progress.

We have included details of the Heads of Terms with Notting Hill adjacent:

Conditions are as follows:

- Full Red Book valuation to support the outturn market values, land values, rents and build costs used in our appraisals.
- Good and marketable legal title
- Internal client sign off for design and specification; units must comply with Notting Hill Design Guide
- Confirmation of the level of service charges; currently assumed at £2.30psf for the shared ownership, market rent and affordable rented units
- Local Authority confirmation of the rents used in our appraisals – we have assumed LHA levels for the one and two bed rented units and social rents for the 3 bed units; which exclude service charges. We have assumed no affordability limits over and above the GLA caps for shared ownership
- 3% retention held for 24 months
- Internal due diligence and approvals, including full NHHT Group Board sign off for the market rent units

Commercial Space in Ivor House. We will be selling an interest in the commercial space in Ivor House upon completion of the construction.

For the purposes of this bid we have allowed £17.50 per square foot rental at a yield of 7%.

Creche in Hambrook House. We intend to agree terms with Ekaya Housing Association, a small BME housing and support provider based in the borough. They specialise in helping black and other minority ethnic women and vulnerable young women.

Ekaya has a subsidiary, Happy Days Nursery, which was opened in 2004 so is established in the area as a provider of childcare. Within our bid, United House intend to grant a long lease to the Council and to facilitate a lease at nil premium to Happy Days Nursery. The term of the lease and the level of rent will be agreed prior to signing of the Development Agreement.

It is expected that Happy Days will fit out the Creche and the rent payable will be negotiated by balancing the potential revenue expected by Happy Days against the subsidised places for the children of Council Employees.

If the Council decided that it would prefer a commercial operator for this space we estimate that the additional value to the Council would be:

1700 sq ft @ £12.50 / sq ft @ 6% yield = £354,167

Within the new and refurbished Council Accommodation.

United House do not intend to sell any interest in the new and refurbished Council accommodation, but intend to facilitate the incorporation of both the community cafe and the staff cafe into the existing Council Facilities management. They would be run by existing small local businesses currently based in Brixton Village. The Agile Rabbit, Bellantoni's and Cornercopia have all expressed a strong interest and are keen to work with us. Working this way supports small local businesses and helps their growth.

However if the Council decided to take advantage of the commercial opportunity to sell a lease to an operator the value to the Council would be as below:

Cafés	m2	sq ft	£/sqft	PA	Yield	
Public Café	200	2152	25.00	53,800	6%	896,667
Staff Café	300	3228	22.00	71,016	6%	<u>1,183,600</u>
						2,080,267

Likewise with the event space above the Assembly Rooms. We will facilitate the incorporation of a list of existing small local catering companies/ restaurants such as those in Brixton village. Customers of the Assembly Rooms will be able to book their catering for their event through the Councils Facility Management. This would give local small businesses a chance to showcase their business as well as an opportunity to expand and/or diversify.

We understand that the Council receive £1000 per day for the hire of the Assembly room. We believe that new space with the addition of the catering facility and roof garden will achieve considerably more than the current value. For example the Tottenham Town Hall that we hired for the start of our site visit was £200 per hour just for the room. The catering space charge was extra.

We would anticipate that the value of this increase would be as follows:

Assembly Rooms			Weeks/ year	Days/ week	Hours/ day	Rate	Total PA
Monday to Thursday	Day	Assembly Room	52	4	8	200	332,800
		Catering Facility	52	1	8	75	31,200
		Roof Garden	30	1	8	50	12,000
	Evening	Assembly Room	52	4	6	220	274,560
		Catering Facility	52	1	6	95	29,640
		Roof Garden	20	1	6	70	8,400
Friday to Sunday		Assembly Room	52	2	14	250	364,000
		Catering Facility	52	2	14	100	145,600
		Roof Garden	30	2	14	95	<u>79,800</u>
							1,278,000
Existing income		Assembly Room	52	5		1000	<u>260,000</u>
Additional Income							1,018,000
Yield						6%	16,966,667

- **confirmation of the availability of appropriate parent company guarantees. Clearly identify which entity will be providing such guarantees and the covenant strength of such entity.**

United House Group Ltd is the Guarantor for the project as agreed in the Heads of Terms. A copy of the accounts have already been provided and are available if further copies are required.

- **confirmation whether such support will be financial and/or performance, the trigger for a guarantee to be called and whether the guarantee will be capped**

The terms support will be:

- Financial – Equity provided
- Performance – Signed Parent Company Guarantee. (The wording of the Parent Company Guarantee has been agreed with the Council.)
- Trigger for the Guarantee will be non performance under the Development Agreement
- Guarantee will not be capped.

- **If you are bidding as a consortium, please clarify your cross default and guarantee provisions between all parties.**

Not applicable



21 June 2013

Direct Line: 01322 616531
Direct Fax: 01322 616502
pnicholls@unitedhouse.net

London Borough of Lambeth
Porden Road
Lambeth
SW2 4RW

Dear Sirs

SW2 Enterprise Centre

We confirm that United House Group Ltd will provide the equity required for this project and will sign the Parent Company Guarantee agreed with Lambeth Council.

Yours sincerely


GROUP DIRECTOR

United House Group Ltd
United House, Goldsel Road
Swanley Kent BR8 8EX
Switchboard 01322 665522
www.unitedhouse.net

REGISTERED OFFICE AS ABOVE
REGISTERED IN ENGLAND 07151588
MEMBER OF THE UNITED HOUSE GROUP

- **a statement detailing what assumptions, if any, you have made in relation to the tax treatment of the development, including for:**
 - **Stamp Duty Land Tax (on any disposals or transfer of land, where applicable);**

We anticipate that United House Group will have to pay SDLT on the land that is transferred to us, which will be calculated as 4% on the value of the land paid to the council.

- **Value Added Tax (the VAT treatment of each aspect of the development, VAT recovery on costs and any consideration to reducing the impact of VAT costs);**

We understand that Lambeth has not opted to tax the properties. On this basis the land transactions will not attract VAT.

We anticipate that VAT will be chargeable on the value of the construction of the new and refurbished offices. As the Council is paying for the works by way of an exempt supply in land, the VAT on the Works will need to be paid fully in cash. We assume that as a local authority you will be able to recover this but we would welcome the opportunity to work with the Council to understand the Council's VAT recovery position and to mitigate any irrecoverable VAT.

We anticipate that all of our residential development will either be zero rated for VAT or will be standard rated for VAT but recoverable. The exception to this is non recoverable VAT items within a zero rated project. This is for items that are provided within the residential dwellings such as carpets and white goods. We include the non recoverable VAT as a project cost in our development appraisals.

◦ Capital Allowances (where applicable); and

We have made a initial investigation as to whether Capital Allowances can be of benefit on this project.

If Capital Allowances can be used on this project the value is likely to be approximately as calculated below:

- Cost of Council Accommodation £44.50m
- Capital Allowance approximately 38% = £16.91m
- Benefit to the project corporation tax saving on £16.91m of approximately 20% = £3.38m

The question of whether Capital Allowances can be used on the project depends on the answer to the question: Is the project a Capital Asset or a Trading Stock. The answer will be assessed by reference to the following HMRC Badges of Trade summary:

It seems likely that based on the current Heads of Terms agreed between the Council and United House that the project will not benefit from Capital Allowances, but we would like the opportunity to explore this matter further with the Council. This may involve the use of a 999 year lease held by United House for a couple of years before returning it to the Council.

1. Profit-seeking motive	An intention to make a profit supports trading, but by itself is not conclusive.
2. The number of transactions	Systematic and repeated transactions will support 'trade'.
3. The nature of the asset	Transactions that are similar to those of an existing trade may themselves be trading.
4. Existence of similar trading transactions or interests	Is the asset of such a type or amount that it can only be turned to advantage by a sale? Or did it yield an income or give 'pride of possession', for example, a picture for personal enjoyment?
5. Changes to the asset	Transactions that are similar to those of an existing trade may themselves be trading.
6. The way the sale was carried out	Was the asset repaired, modified or improved to make it more easily saleable or saleable at a greater profit?
7. The source of finance	Was the asset sold in a way that was typical of trading organisations? Alternatively, did it have to be sold to raise cash for an emergency?
8. Interval of time between purchase and sale	Was money borrowed to buy the asset? Could the funds only be repaid by selling the asset?
9. Method of acquisition	Assets that are the subject of trade will normally, but not always, be sold quickly. Therefore, an intention to resell an asset shortly after purchase will support trading. However, an asset, which is to be held indefinitely, is much less likely to be a subject of trade.

◦ **Corporation Tax (where relevant).**

The development activities of this project will be carried out in a Special Purpose Vehicle wholly owned by United House Developments Ltd. So the corporation tax liabilities for the SPV will be included in the consolidated group tax calculations. This will not affect the project or the Council.

We are not aware of the Council's tax status, but we do not expect there to be any corporation tax liability for the Council with the possible exception of tax on the profit made on the commercial activities carried out within the Town Hall.

This statement should be consistent with any assumptions included within the Financial Model.

We confirm that the above statement is consistent with our financial model.

Financial Viability & Credibility

A detailed statement which

- confirms the cost and value assumptions set out in the Financial Model

Compliant and Variant bid

As agreed during the dialogue process, our submission is a variant bid. When this decision was made we thought that there would be many items that we could not comply with, however there are only four items that make our bid a variant instead of a compliant bid:

Compliant Bid

BREEAM Excellent on the Town Hall. The additional costs that will be incurred to achieve a BREEAM Excellent rating are extremely hard to estimate. Firstly at this stage it is not possible to guarantee that the Town Hall would actually be able to achieve the rating due to the minimum energy requirements. The fact that it is a listed building means it will be very difficult to improve the energy performance as building fabric upgrades are limited. To provide a budget figure we have allowed uplift of at 10% of the cost of the works to the Town Hall. This equates to £916,391. This assessment is based on past project costs.

Sourcing of materials. The restrictions in the Employers Requirements on the sourcing 50% of materials within 50 miles of the site and 20% of materials being recycled can not be achieved.

ICT. We have been unable to clarify the risk to us for accepting the relocation of the existing ICT equipment. We have shown the budget of £4.5m as provided by the Council on the summary annex 1a but not in our model as we are unwilling to take on this risk.

Affordable Housing. To provide 40% affordable housing the project deficit will increase by £3,963,790.

Please also note that we have been asked to include the purchase price of Hambrook House which we have done so on the summary annex 1a. It is not however included in our model because the Development Agreement does not require us to pay for the purchase of Hambrook House, it is the responsibility of the council.

Variant Bid

We have included below a summary of the commercial terms of this bid to assist the council.



SW2 – SUMMARY OF THE DEAL

Introduction

The purpose of this report is to ensure that the Development Agreement (DA) is drafted in accordance with the commercial deal reached between United House and Lambeth Council.

Set out below are the key commercial points to assist Ashurst and Eversheds achieve an agreed DA by 30th August 2013.

Note that there items of cost that Lambeth want included in the financial model but are not included in the DA for example the purchase price of Hambrook House. We will clearly identify these items in the model.

Preferred Bidder Stage

United House do not expect any of our bid costs to be refunded by the Council

Signed Development Agreement

When the DA is signed we will have the following:

Council Accommodation

In the DA will be an agreed amount that the Council will pay to United House for the 13,980 m² of Council accommodation in accordance with our tender. The amount will be split between pre-unconditional and post unconditional costs. These will be paid monthly, drawn down from the agreed pre and post unconditional costs that will be identified in the tender. The total amount will comprise of:

- All fees to achieve planning permission and full implementation
- All construction costs
- The contractor's overheads and profit
- The Development Management Fee

Items that are excluded from this amount are:

- Council ICT works
- CIL and Section 106/111 costs

It should be noted that our variant bid also excludes:

- The compliance with the Council's requirements to source 50% of the materials for the project within 50 miles of the site and for 20% of the materials to be recycled.
- Achieving BREEAM Excellent on the Town Hall

Items included in the amount but on a provisional basis and adjustable up or down are:

- Party Wall Award costs
- Rights of light / appropriation compensation payments due under the Section 237 Agreement

The amount will change in the following circumstances:



- If the Council issue a change instruction
- If CPO is needed to provide vacant possession (due to costs for providing support to the Council and subsequent additional costs)
- Adjustment for build cost inflation from the date of the DA to the date of possession of each phase of the works.

Surplus sites

The DA will contain a predicted land receipt from each site calculated on a residual land value basis as included in the tender.

The development appraisal used for this calculation will include all development costs for achieving planning permission, implementing the permission, funding the construction, sales costs and development management fee.

Our required returns are:

- 20% development profit on private residential sales
- 20% development profit on speculative commercial sales
- 0% development profit on Affordable Rent and Shared Ownership sales
- 0% development profit on the Creche
- 0% development profit on the Council accommodation
- 20% Equity IRR (consolidated across all surplus sites)
- 2% Development management fee
- 7% contractor's margin for overheads and profit

The actual land receipt will be calculated at viability stage, just prior to the unconditional date of the DA. The re-calculated land receipt will take account of all current costs and values. This will include actual costs for the items below:

- Party Wall Award
- Rights of light / appropriation compensation payments due under the Section 237 Agreement
- Additional costs if CPO is needed to provide vacant possession

So the Council will receive any increase in land value up to this point. Although the land value could go down this should be considered against the following situations:

- If the land value does go down but the amount paid by United House is not adjusted, then United House's viability test will be failed
- If the land value does go down, the Council still have the ability to decide not to proceed

The land receipts will be paid to the Council upon granting of the long lease of each of the surplus sites. In recognition of this delayed consideration for the land United House will pay the Council a commercial rate of interest. Interest will be calculated on the land value from granting of the development lease until the grant of the long lease. The interest will be rolled up and paid at the same time as the land receipt. The payment of the land receipt will not be behind the senior debt, ie the land payment will be paid to the Council before any senior debt is repaid.

When carrying out the viability tests the project team will have the ability to change the payment date of the land receipt to the Council, with agreement of both parties and the consequential adjustment to the interest payments made to the Council.

Conditions Precedent

The DA is subject to:



- Satisfactory planning permission. This is United House's responsibility to achieve. The costs for the Council accommodation will be paid by the Council and the costs for the surplus sites will be paid for by United House. If planning is not achieved no money is refunded to either party.
- Site Assembly – This is for the Council to achieve. If the Council can not achieve this United House's unrecovered reasonable costs will be calculated on an open book basis and repaid.
- The Council using its Section 237 powers to assist the development. If the Council do not do this, United House's reasonable unrecovered costs will be calculated on an open book basis and paid by the Council.
- Viability – By using the agreed appraisal model, on an open book basis, for the Council accommodation and the surplus sites, either party can decide not to proceed if the viability does not work for them. There will be two of these decision moments:
 - at the point of the planning permission submission
 - and just prior to the unconditional dateIf United House do not proceed there is no effect, but if the Council do not proceed they will pay to United House the reasonable unrecovered costs calculated on an open book basis.
- Funding – This is for funding by United House of the surplus sites. However Lambeth want to ensure that the Terms and Conditions are market standard. If we can not secure adequate funding we do not have to proceed with the project. If we do not proceed, then no costs are refunded or paid.

Unconditional DA

Security for the Surplus Sites

The Council will grant a development lease at no cost to enable United House to fund the surplus sites.

On practical completion the Council will grant a long lease at no cost to enable United House to sell sub leases.

Vacant possession.

This is the responsibility of the Council to deliver in accordance with the agreed decent plan. If the Council do not achieve the dates the contract will be in breach.

Building Contract

In recognition for the Council funding the Council accommodation, following agreement of the detailed specification, when the trade packages have been tendered by the main contractor and the total cost is known, if the cost of the Council accommodation is less than expected then the saving will be shared.

This will be calculated after making due allowance for any changes to the cost of the Council accommodation caused by items detailed on page one of this summary.

The savings will be shared in the following way:

- For saving up to 2% of the cost, 75% of the saving to the Council, 25% to United House.
- For saving from 2% up to 4% of the cost, 50% of the saving to the Council, 50% to United House.
- For saving in excess of 4% of the cost, 25% of the saving to the Council, 75% to United House.

If the costs are more than expected the additional cost will be born by United House.



There will only be a performance bond if the contractor is not a United House company.

Delivery of the works will be in accordance with the development programme.

Completion of the project

Any additional profit made on the surplus sites will be shared with the Council on the following basis 55% to the Council, 45% to United House. To be calculated on an open book basis.

[REDACTED]
New Business Director
United House
29th August 2013
Draft 3

ICT - As we have described under the compliant bid, the same situation exists with our variant bid, We are not prepared to take the risk of relocating the ICT because we have not been made aware of the consequences if we fail. We have reviewed the ICT specification issued with the ISFT and comment as follows:

- We have not made any allowance for cabling or hardware
- We have allowed for:
 - Air conditioning
 - Electrical system (except generator back up)
 - Fire detection systems
 - General space allowances as drawn.

Affordable Housing

Our redevelopment has a total of 194 residential units. The variant bid requirements are for 20% affordable Housing. So this would be a requirement for 39 affordable dwellings. We understand that Wynne Road is being developed by the Council and it's development partner and will provide 30 affordable dwellings and that this provision will be linked to this scheme. Therefore the requirement for our development will be 9 units in order to deliver 20% affordable.

We have adopted a design led approach to the provision of affordable housing. The basis that underpins this is follows: To generate the maximum value for the private sale dwellings they must have separate entrances from the affordable rented dwellings. This is a concept that many Council's struggle to accept. When mixed use sites were first introduced due to the Section 106 requirement for affordable housing in private sale projects, many attempts were made to 'pepper pot' the affordable dwellings, i.e. have them mixed up with the private sale dwellings. It is generally accepted now that this does not work due to:

- Housing Management issues
- Maintenance charges
- Affect on the private sale values

Therefore we have selected the following affordable units:

- 6 houses to the rear of Ivor House as affordable rent
- 3 houses to the rear of Hambrook Gardens as shared ownership.

Office fit out

We have identified the cost of the CAT B fit out and the furniture to allow to Council to view these costs in isolation:

CAT B fit out
 New Office: £2,397,636
 Town Hall: £992,136

Furniture £3,000,891

Both these costs are included in our model CAT A is an integral part of the build cost so it has not been separately identified.

Phoenix House

We have not included the sale proceeds from Phoenix House in our Model, but we understand the value is expected to be approximately £16,000,000.

Wynne Road

We have not included the sales proceeds from Wynne Road which we understand is approximately £1m.

Council Borrowing

We have not included any allowance in our model for amounts borrowed by the Council against anticipated future savings as a result of the rationalised Council accommodation. We have provided life cycle costing data with our bid to allow the Council to calculate the long terms savings that will be achieved.

Basis of Model

Our model is a residual land value calculation. It works on the basis that the land value available is used to cross subsidise the construction of the Council accommodation.

All costs have been assessed by our cost consultant Martin Arnold Associates. The values for the private sale have been assessed internally by our Sales and Marketing Director with the benefit of input from local and national agents. The values for the affordable housing have been provided by Notting Hill Housing Trust and have been bench marked. Our required returns are defined in the development agreement and are as follows:

20% profit on all sales except the affordable housing
 20% IRR
 2% Development fee on the construction costs
 7% construction margin

At viability stage we will prove best value to the Council in the following way:

- Private residential sales values. We will appoint three agents to value the units and will use the middle value.
- Commercial sales values. Ditto
- Affordable values. We will obtain commercial prices to benchmark our chosen RP
- Construction price. We will appoint a quantity surveying practice to benchmark the projected cost plan.

Post unconditional development agreement but prior to construction we will, on an open book basis procure all of the trade packages for the construction. If this produces a saving from the agreed cost plan we will share the savings with the Council on the following basis.

- For saving up to 2% of the cost, 75% of the saving to the Council, 25% to United House
- For saving from 2% up to 4% of the cost, 50% of the saving to the Council, 50% to United House
- For saving in excess of 4% of the cost, 25% of the saving to the Council, 75% to United House.

If it does not produce a saving United House will suffer the additional costs.

The Development Appraisal Model

The model has been developed in two distinct parts:

- Surplus sites
- Council Accommodation

The main driver for this design is to have standalone development projects as this will ease the bank's understanding and comfort for 3rd party funding.

The land value is calculated for the surplus sites on a residual land value calculation and is paid to the council when the long lease is granted.

The Council Accommodation is funded by the council on a monthly draw down from an agreed amount in line with construction activity.

Surplus Sites

Residential Units				
	Private Sale	Affordable Rent	Shared Ownership	Commercial Sq ft
Hambrook Gardens	69		3	1,700
Ivor House	19	6		11,324
Olive Morris House	88			
Wanless Road	9			
Total	185	6	3	13,024

The surplus sites will be developed and the cross subsidy created i.e. the land value will be paid to the council to help pay for the office accommodation.

The sites will be funded individually with 40% equity provided by United House and 60% senior debt. The costs of their facilities has been entered into the model on the following basis:

- Arrangement fees of 1.5% of the loan value
- Exit fees of 1.5% of the loan value
- Non-utilisation fees of 1.75%
- Monitoring fees of £2,000 per month
- Legal fees of £120,000
- Interest at 6%

On the consolidated cash flow the loans come in and out because each site had it's own loan facility.

Sales Values

The average sales value across all the sites is £520 per square foot for the private sale residential units.

The sales rate used is 25% off plan sales that complete on practical completion of the site. This is followed by a sale of four units per month.

Commercial space in Ivor House is valued at £17.50 square foot at a yield of 7%.

Affordable rent is valued at £140/ square foot, Shared ownership at £260/ square foot.

We have allowed the following sales costs on the private sale units:

- Agent fees at 2%
- Marketing fees at 2.5%

Costs

We have allowed for the following construction costs

- Ivor House £238 sqft
- Hambrook House £192 sqft
- Olive Morris House £214 sqft
- Wanless Road £135 sqft

We have included in our electronic submission our full cost plan for the project.

We have made allowance for SDLT, CIL, NHBC, Rights of light compensation, party wall awards and legal fees. In addition to this we have allowed £280,000 for training.

SDLT has been allowed at 4%.

Council Accommodation

New office accommodation and refurbished Town Hall.

We have allowed £211 sqft for the new office and £236 sqft for the Town Hall construction costs.

We have made allowances for Rights of Light compensation and party wall awards for the new office.

The construction costs will be index linked to the BCIS from the date the Development Agreement is signed to the commencement of each phase of the works.

In the Development Agreement the cost of the Council Accommodation is split into two:

Pre-Unconditional costs	£3,799,751
Post - Unconditional costs	£33,485,582
Total	£37,285,333

We detail below how these figures are calculated.

**SW2 Build Cost
Summary
ISFT**

	Pre Unconditional Costs								Total Pre Uncon
	Fees	Margin	Total Fees	DMF	Legal Fees	Training Costs	Rof L	Party Wall	
New Office	2,007,697	140,539	2,148,236	42,965			100,000	50,000	2,341,201
External Works	192,698	13,489	206,187	4,124					210,311
Town Hall	520,652	36,446	557,098	11,142	400,000	280,000			1,248,240
Sub Total	2,721,047	190,473	2,911,520	58,230	400,000	280,000	100,000	50,000	3,799,751
Hambrook	922,443	64,571	987,014	19,740	110,278		100,000	40,000	1,257,032
Olive Morris	1,183,332	82,833	1,266,165	25,323			75,000	30,000	1,396,489
Ivor	661,003	46,270	707,273	14,145			50,000	20,000	791,419
Wanless	108,613	7,603	116,216	2,324				30,000	148,540
Sub Total	2,875,391	201,277	3,076,668	61,533	110,278	-	225,000	120,000	3,593,480
Total	5,596,438	391,751	5,988,189	119,764	510,278	280,000	325,000	170,000	7,393,230

**SW2 Build Cost
Summary
ISFT**

	Post Unconditional Costs										Total	
	Build Cost	Prelims	Margin	Contingency	Build Total	DMF	Total	NHBC	Irrecoverable VAT	CIL		Total Post Uncon
New Office	18,393,086	2,575,032	1,467,768	1,229,206	23,665,092	473,302	24,138,394				24,138,394	26,479,595
External Works	1,765,363	247,150	140,876	235,957	2,389,346	47,787	2,437,133				2,437,133	2,647,443
Town Hall	4,608,159	829,468	380,634	956,303	6,774,564	135,491	6,910,055				6,910,055	8,158,295
Sub Total	24,766,608	3,651,650	1,989,278	2,421,466	32,829,002	656,580	33,485,582				33,485,582	37,285,333
Hambrook	8,450,765	1,183,107	674,371	564,762	10,873,005	217,460	11,090,465	139,500	69,000	244,243	11,543,208	12,800,240
Olive Morris	10,840,845	1,517,718	865,099	724,491	13,948,153	278,963	14,227,116	176,000	88,000		14,491,116	15,887,605
Ivor	5,658,553	1,244,881	483,240	1,214,092	8,600,766	172,015	8,772,782	41,000	25,000		8,838,782	9,630,200
Wanless	995,040	139,305	79,404	66,498	1,280,247	25,605	1,305,852	18,000	9,000	39,184	1,372,036	1,520,576
Sub Total	25,945,203	4,085,011	2,102,115	2,569,843	34,702,172	694,043	35,396,215	374,500	191,000	283,427	36,245,142	39,838,622
Total	50,711,811	7,736,661	4,091,393	4,991,309	67,531,174	1,350,623	68,881,798	374,500	191,000	283,427	69,730,725	77,123,955

A detailed statement which

- **explains your assumptions relating to investment value, disposal and onward sale where the site is not subject to direct development**

Elements of the project that are not subject to development are only:

- Phoenix House to which we expect the Council to sell to a third party with a delayed vacant possession date to fit in with the decant strategy
- Wynne Road which the Council is in the process of selling

We have detailed above our assumptions on the value to the Council of revenue generating activities in the completed accommodation.

Comments on development density and value maximisation.**Development Density**

We have designed our proposal with full agreement of the Council's Town Planning representation in the design dialogue meetings so we are confident that our designs will be supported by the planning department and English Heritage.

Since ISDS Submission

However we have looked at maximising the densities of all elements of the development. We detail below our conclusions:

Height of the new office building – The small set back 5th floor has been increased to a full size 5th floor.

Ivor House - We have increased the height of the building by one floor.

Olive Morris House – we have increased the height by one floor.

Hambrook House - we have increased the height by one full storey and in addition to that a further two storeys on the Brixton Hill elevation

Value Maximisation

Right from the start of this procurement process we have adopted a collaborative approach with the Council to seek out opportunities to maximise value.

Following our ISOS submission we illustrated in a table, shown overleaf, how we were maximising value and closing the deficit on the project.

Enterprise Centre - Bridging the Gap						
Town Hall Commercial uses	m2	SqFt	Rent	pa	Yield	Value
Basement						
Table Tennis and Bowling Club	567	6,101	10.00	61,009	8.5%	717,755
Conference Centre	300	3,228	15.00	48,420	6.0%	807,000
Health Club/Spa/Creative Media	520	5,595	7.00	39,166	10.0%	391,664
Ground Floor						
Restaurant	480	5,165	20.00	103,296	7.5%	1,377,280
Registry Office	150	1,614	1.00	1,614	6.0%	26,900
Event Space	175	1,883	5.00	9,415	6.0%	156,917
Meeting Rooms	209	2,249	10.00	22,488	6.0%	374,807
Assembly Hall	416	4,476	5.00	22,381	6.0%	373,013
First Floor						
Council Chamber		-	-	-	0.0%	-
Refurbished Offices	644	6,929	-	-	0.0%	-
Second Floor						
Refurbished Office	743	7,995	-	-	0.0%	-
						4,225,336
Proposals to bridge the gap						
Don't refurbish Olive Morris House at this time						4,928,000
Don't do the CAT B fit out						Not included in base line appraisal
Don't buy new furniture						Not included in base line appraisal
Sell Phoenix House						20,000,000
Sell Wynne Road site						1,000,000
Sell Wanless Road site						1,000,000
New Homes Bonus (129 units)						990,031
Build 3000m2 office to the rear of the Town Hall						
Make the New Office smaller and create 3000m2 of additional residential						4,183,488
Build 765m2 additional storey on Olive Morris House and create 765m2 of additional residential						1,066,789
Reduction in the office space required by the Council by						1166 m2
Resultant additional residential						2,862,530
						1,625,982
						41,882,157
						Target
						41,883,695
						Check
						1,538

When we were selected to continue to the ISDS stage, we recommended to the Council that we worked with the Council for about a month to explore different ways to gain maximum value for the project.

We attended several financial and commercial workshops with the Council and their consultants to really drill down into what was essential to the Council, what would be nice to have if possible and what could be changed.

We looked at different scenarios for Olive Morris House and modelled the financial impact on the project:

- Keep it as it is
- Refurbish it for the Council
- Convert it into residential for sale
- Demolish the building and redevelop with a new building for private sale

We advocated early on that as much space in the existing Town Hall as possible was improved and used for Council occupation for two reasons:

- It was the most financial beneficial use of the space because community use of this space added cost to the project but did not add any commercial value
- Commercial, revenue generating uses in the Town Hall were viewed by the Council as a risk rather than a benefit to the scheme due to the risk of letting the space and difficulties capitalising the future revenue to off set the deficit on the scheme

We assessed the development potential of Phoenix House and concluded to achieve best value the Council should dispose of the site. We recommended that this is done via a sale with a delayed vacant possession date so the project could receive the benefit of the income at the start of the project and the Council could vacate the building to accord with the decant strategy.

We recommended that the Council should exercise option 3 on International House because the conditions attached to the alternative options could not be accommodated on the project.

We challenged the Council on whether affordable housing should be provided on the scheme. On the basis that if this was a commercial

project there would be a viability assessment to accompany the planning application. This would demonstrate that with a Section 106 requirement for a new office for the Council affordable housing would not be justified. However we understand that this is more of a political aspiration rather than a financial driver.

We modelled different levels of affordable housing on the project at 10,20,30 and 40% to demonstrate the effect on the project deficit.

We challenged the Council whether it was sensible for the Council to charge Section 106 contributions and Council CIL when this increased the deficit.

We encouraged the Council to acquire the freehold of Olive Morris House to bring the site into the project to increase the amount of cross subsidy created by the redevelopment of the site.

We also encouraged the Council to purchase the leasehold interests in 1 Town Hall Parade to gain the additional space but also to contribute to an improved design for the new Council accommodation.

We explained the potential of pairing back our ISOS public open space and garden area to the rear of the Town Hall. Both these areas have been amended to give the Council best value.

We have encouraged the Council to look at raising capital on the basis of future revenue savings that will be enjoyed by the Council once the redevelopment is complete. It is much cheaper for the Council to do this rather than us because the Council will achieve lower interest rates and do not have to factor in corporation tax as we would if we raised the funding.

All this work culminated in a presentation to the Council where we summarised the possible ways of reducing the deficit. Below is an extract from that presentation.

Bridging the Gap

We have been working hard with the Lambeth procurement team to financially remodel this scheme to highlight the financial effect of the decisions that have been made to date. We summarise below our ideas to reduce the deficit:

Current Deficit	-45,300,000
Sell Phoneix House	20,000,000
Sell Wynne Road	1,000,000
Sell Wanless Road	1,000,000
Council to relocate ICT	Nil
Subsequent ICT on cost and risk saving	1,625,000
Affordable Housing: Reduce 40% to 30%	1,650,000
Reduce 30% to 20%	1,650,000
Reduce 20% to 10%	1,650,000
Reduce 10% to 0%	1,650,000
Lower BREEAM rating on the new office	1,545,097
Seciton 106 Commuted Sums omitted	1,356,506
	-12,173,397

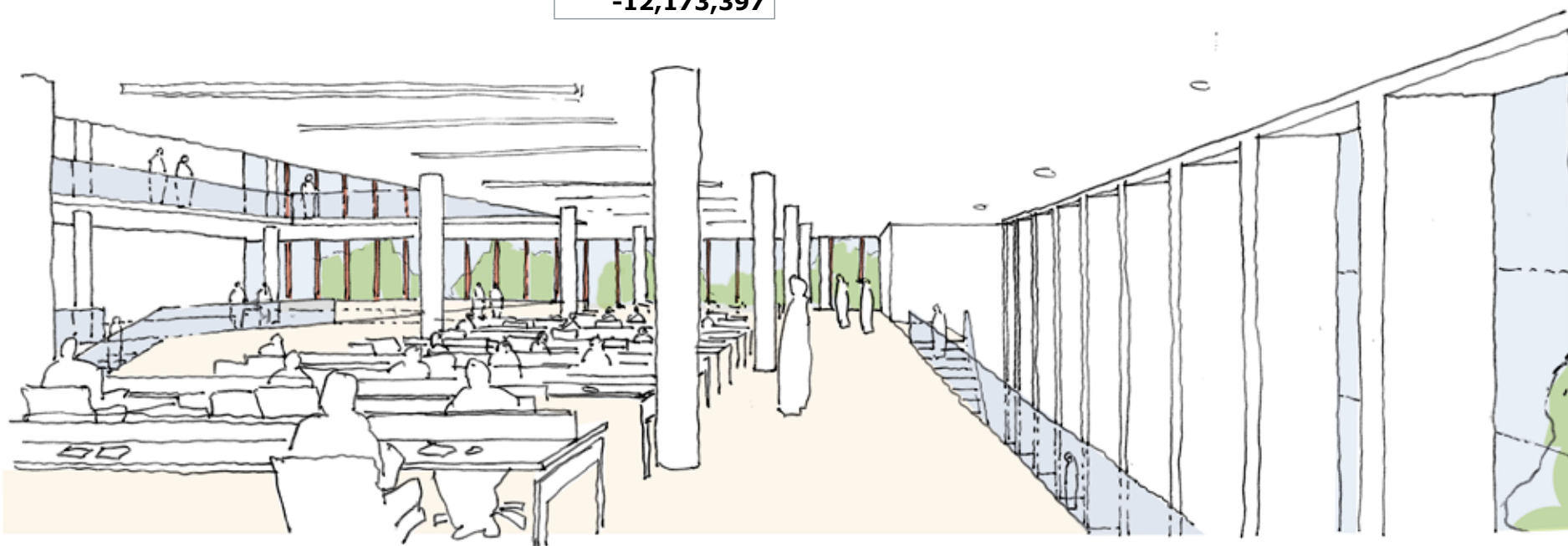
This deficit will in part be funded by selling Phoneix House and selling / redeveloping Wayne Road and Wanless Road sites. We estimated that these disposals would generate £22m, but this still leaves a deficit. We expect this deficit to be paid for by the Council raising capital against savings in future rental obligations, by acknowledging the savings in running costs of the new development, and taking account of future rental income.

In our mind easy wins, albeit, that they are not considered easy wins by the Council, would be to:

- Have nil Affordable Housing requirement
- The council keep the responsibility for relocating the ICT

Harder but achievable wins would be:

- Nil Seciton 106 Commuted Sums
- Reduce the requirement for BREEAM Excellent to the new office



Surpluses and Overage

Once these avenues had been explored we proceeded with the design of our ISDS submission. We turned our attention to maximising the value of the different elements of the bid:

Private sale housing – Our extensive experience in the London Market has allowed us to push the boundaries of value maximisation of the residential sales values. These values directly impact on the reduction of the deficit on the project.

Affordable Housing – Again we turned to Notting Hill and benchmarked their offer to ensure that if offered best value to the Council.

We have driven best value on our construction costs by having a series of design and technical workshops to value engineer the project and have utilised the services of Martin Arnold Associate to carry out our cost plan for the project.

We feel that we have made every effort to bring best value to the project during this procurement process and despite there still being a deficit we have illustrated how this deficit will be eliminated.

However the quest for best value did not stop with the submission of our Detailed Solution. We continue to drive value through maximising density. We also looked at different funding solutions which resulted in the form of this final tender.

But this is not the end of the process. We see our flexible approach with the council continuing through our the project to ensure that the council achieves all their aims whilst delivering best value

Please detail your approach to the sharing of any development surpluses with the Council, where these are achieved over and above your required rate of return. This should include detail on key terms, conditions, definitions and timing of calculations.

The Council shall be entitled to sales overage on the surplus accommodation at a level of 55 per cent of net profit on sales above a threshold of 20 per cent net profit on sales and a return on equity of 20 per cent. The overage will be paid following sale of all of the units within the surplus accommodation. Payment will be made on the earlier of sale of all units or a longstop of 2 years after PC of the final building within the surplus accommodation, in which case the value of unsold units shall be the median of three valuations from agreed valuers.

The Developer will maintain a sales proceeds account and an income account (if applicable) and pay sales proceeds and income (if applicable) into them.

Overage will be secured by a legal charge and title restriction and will be covered by any parent company guarantee of the Development Agreement. The Council accepts that the legal charge will need to be subject to a deed of priorities should the Developer secure bank finance which is secured by legal charge on the relevant property

Financial Offer and Value

an unlocked Financial Model detailing the finances of the proposed development based on the technical solution submitted and in line with the Financial Model instructions set out separately at Section 4 and providing inter alia:

- **the assumptions included within the Financial Model;**
- **full cashflows and phasing for the lifetime of the development on a site by site and total project basis;**
- **the projected peak funding and the styles and sources of funding to finance such peak,**
- **the proposed timing of land value generation, clearly showing the recycling of surplus land value into the overall development;**
- **repayment proposal for any external funding;**
- **return requirements for each type of development, including basis of calculation.**

The Base Case should be accompanied by a clear statement as to the degree of certainty (including any terms and conditions) attaching to the Bidder's estimated surplus or deficit for each site and for the Total (Aggregate) SW2 Project Cashflow.

- **net present value of contributions and Internal Rates of Return for each separate Project and the Total (Aggregate) SW2 Project Cashflow and both the Bidder and Lambeth.**

We have uploaded the Lambeth Model to the procurement Portal along with the following back up information

- Our full Development Appraisal
- Our full Cost Plan
- Our Life Cycle Costs

We indicate below a summary of how we have achieved a cost neutral bid. All items on this summary have been explained in Section 3 of this bid. We have included the summary pages of the Lambeth model and our own development appraisal for information.

SW2 Enterprise Centre United House ISFT Cost Neutral Summary

Variant Bid

Deficit from Model	-18,878,121	
ICT Works	-4,500,000	
Hambrook House Purchase	-2,250,000	
Value embedded in our bid		
Capitalised potential income from the Cafes	2,080,267	
Capitalised potential income from the new Assembly Room, Catering and Roof Garden	16,966,667	
Commercial lease for the Cheche	354,167	
Council Sales		
Phoenix House	16,000,000	
Wynne Road	1,000,000	
	<u>10,772,980</u>	Surplus

Compliant Bid

Variant bid surplus	10,772,980	
Affordable Housing at 40%	-3,963,790	
BREEAM Excellent on Town Hall	-916,391	
	<u>5,892,799</u>	Surplus

London Borough of Lambeth - SW2 Enterprise Centre

Proforma Financial Model Output Sheet £'000

Key to shading

Bidder to link outputs to financial model and cashflow

Insert value of cross subsidy from development sites. Value of "Cross Subsidy to Council Development" should equal total Land Value for Cross Subsidy from Development Sites". Excludes Phoenix House.

Name of Building	Council Accommodation				Development Sites Undertaken by Bidder					Total SW2 Development
	New Council Accom inc Town Hall	Olive Morris House	Not included in Financial Model	Total Council Development	Hambrook House	Ivor House	Wanless Road	Olive Morris House	Total Non Council Development	
Key Dates										
Construction Start Date	01/06/2016	n/a			01/03/2019	01/10/2018	01/06/2016	01/10/2018		
Construction End Date	31/10/2020	n/a			31/03/2021	31/03/2021	30/11/2017	28/02/2021		
Sales Start Date	n/a	n/a	n/a	n/a	01/03/2021	01/03/2021	01/12/2017	01/02/2021		
Sales End Date	n/a	n/a	n/a	n/a	31/01/2022	31/07/2021	28/02/2018	31/01/2022		
Income (£'000)										
Gross Development Value										
- Residential Private		n/a		-	26,983	8,221	4,588	36,243	76,036	76,036
- Residential Affordable		n/a		-	856	1,013	-	-	1,869	1,869
- Retail / Commercial		n/a		-	-	2,831	-	-	2,831	2,831
+ Other		n/a		-	-	-	-	-	-	-
Land Receipts		n/a		-	-	-	-	-	-	-
Lease Income		n/a		-	-	-	-	-	-	-
Other Income (please specify)		n/a		-	-	-	-	-	-	-
Cross Subsidy Land Value to Council Development	n/a	n/a	n/a	18,407	n/a	n/a	n/a	n/a	n/a	18,407
Total Income	0	0	0	18,407	27,840	12,065	4,588	36,243	80,736	99,143
Costs (£'000)										
Land Value for Cross Subsidy of Council Accommodation	n/a	n/a	n/a	-	7,352	-	1,824	9,231	18,407	18,407
Pre-Implementation Costs				-	336	241	40	431	1,047	1,047
Build Costs (inc. contractor margin)	17,258	n/a		17,258	10,410	7,512	1,218	13,271	32,411	49,670
Refurbishment Costs (inc. contractor margin)	7,107	n/a		7,107	-	-	-	-	-	7,107
Contingency Costs	2,263	n/a		2,263	528	1,135	62	677	2,402	4,665
Professional Fees	2,721	n/a		2,721	587	420	77	835	1,919	4,640
±10% / CIL Costs				-	244	-	39	-	283	283
Public Realm				-	-	-	-	-	-	-
Stamp Duty				-	294	-	73	369	736	736
Legal Fees	400	n/a		400	110	-	-	-	110	510
Right of Light	100	n/a		100	100	50	-	75	225	325
Party Wall	50	n/a		50	40	20	30	30	120	170
Training Costs	280	n/a		280	-	-	-	-	-	280
Hambrook House Option Cos	2,250		2,250	2,250	-	-	-	-	-	2,250
Total Capital Expenditure	30,180	-	2,250	32,430	20,000	9,378	3,363	24,920	57,661	90,091
Other Costs (£'000)										
Developers Profit				-	5,402	1,292	945	8,129	15,768	15,768
Development Management Fee	715	n/a		715	237	186	28	304	756	1,470
Project Management Fee				-	-	-	-	-	-	-
Sales & Marketing Costs				-	1,283	484	225	1,729	3,722	3,722
Recoverable VAT				-	69	25	9	88	191	191
NHBC				-	140	41	18	176	375	375
Cat A Fit Out Allowance				-	-	-	-	-	-	-
Cat B Fit Out Allowance	3,390			3,390	-	-	-	-	-	3,390
FF&E Fit Out Allowance	3,001			3,001	-	-	-	-	-	3,001
ICT Costs Allowance			4,500	4,500	-	-	-	-	-	4,500
Other Costs Total	7,105	-	4,500	11,605	7,131	2,028	1,225	10,426	20,811	32,416
Finance Costs (£'000)										
Senior Debt Interest				-	94	246	-	136	475	475
Equity Interest				-	-	-	-	-	-	-
Senior Debt Fees				-	614	413	-	761	1,789	1,789
Equity Fees				-	-	-	-	-	-	-
Mezzanine Interest (if applicable)				-	-	-	-	-	-	-
Mezzanine Fees (if applicable)				-	-	-	-	-	-	-
Other (please specify, including any Council finance)				-	-	-	-	-	-	-
Total Finance costs	-	-	-	-	708	659	-	897	2,264	2,264
Total Development Costs	37,285	-	6,750	44,035	27,840	12,065	4,588	36,243	80,736	124,771
Net Development Surplus / (Deficit)	n/a	n/a	n/a	(25,628)	-	-	-	-	-	(25,628)
Ratios and Returns										
Peak Funding										
Equity (£)	0	0	0	0	8,600,000	3,900,000	1,565,619	11,200,000	22,754,972	22,754,972
Senior Debt (£)	0	0	0	0	4,403,354	4,993,851	0	5,930,256	14,217,709	14,217,709
Other (£) - Council Contribution	35,461,069	n/a	n/a	0	0	0	0	0	0	0
Peak Gearing %	n/a	n/a	n/a	n/a	0.51	1.28	n/a	0.53	0.62	0.62
Returns										
Developer Profit on Cost %	n/a	n/a	n/a	n/a	24.1%	12.0%	25.9%	28.9%	24.3%	18.8%
Developer Profit on GDV %	n/a	n/a	n/a	n/a	19.4%	10.7%	20.6%	22.4%	19.5%	15.5%
IRR of Project Cashflows %	n/a	n/a	n/a	n/a	25.1%	11.4%	54.3%	27.8%	24.0%	24.0%
NPV of Project Cashflows	n/a	n/a	n/a	n/a	3,115,369	624,441	675,160	4,739,500	9,154,469	9,154,469
IRR of Cashflows to Equity %	n/a	n/a	n/a	n/a	23.6%	9.7%	53.6%	26.7%	23.2%	23.2%
NPV of Cashflows to Equity	n/a	n/a	n/a	n/a	2,705,270	333,465	673,690	4,228,102	7,940,526	7,940,526
IRR of Cashflows to the Council %	n/a	n/a	n/a	n/a						
NPV of Cashflows to the Council	n/a	n/a	n/a	n/a						

UNITED HOUSE LIMITED PROJECT: ENTERPRISE
APPRAISAL REFERENCE: 12.36.16
10 September 2013

DRAFT FOR INTERNAL USE ONLY**INCOME**

	QTY	UNIT PRICE	TOTAL	SF	£ PER SF	AV SF PER UNIT
Private	95% 185	411,004	76,035,781	146,244	520	791
Affordable	5% 9	207,673	1,869,053	10,527	178	1,170
	194	401,571	77,904,834	156,771	497	1,960
Commercial	0		2,830,932	162,063		
Gross development value			80,735,766	318,834		

Selling costs
 Legal fees on sale
 Agents fees on sale Private
 Agents Fees Commercial

(215,000)
 (1,520,716)
 1% (28,309)

(1,764,025)

TOTAL NET INCOME 78,971,741

AVG PER SQ FOOT

EXPENDITURE

Land & Building Purchase	0
Interest	(736,289)
Stamp duty	(510,278)
Acquisition legal fees	(283,428)
CIL	0
Section 106	(374,500)
NHBC	(325,000)
Right of Light	(170,000)
Party Wall	(280,000)
Training Costs	0
Developers Contingency	(1,470,388)
Development Management Fee	(5,686,878)
Pre and Post Planning Costs	0
ICT	0
ICT Margin	0
Cost of building work	(63,113,255)
Margin on building work	(4,719,243)
	(67,832,497)
Marketing	(1,957,513)
Irrecoverable VAT - white goods etc	(191,000)
TOTAL EXPENDITURE	(79,817,770)
NET PROJECT CASHFLOW	(846,029)

212.75

Build start	Jun 16
Build finish	Mar 21
Duration of build (months)	58

Based on all PD units

Equity cash funding from UHD £25,265,619
 £25,265,619

FUNDING

Arrangement fee	(506,400)
Exit fee	(506,400)
Financing legal fees	(360,000)
Monitoring fee	(80,000)
Non-utilisation fee	(335,777)
Interest	(475,322)
TOTAL FINANCING COSTS	(2,263,899)
Additional Capital Contribution	18,878,121
Capital Contribution - Council	18,878,121

Funding facility of 60%
 Loan facility £33,760,000
 Loan facility peak drawing £14,217,709

Council Contribution £37,285,336
 Land Value (Cross Subsidy) (£16,282,050)
 Interest on deferred land payment (£2,125,165)
TOTAL £18,878,121

NET PROJECT CASHFLOW POST FINANCING 15,768,193

Profit on sales	Profit on cost	Project IRR	Equity IRR
20.0%	18.8%	24.0%	23.2%

Additional Information Requested in the ISFT

Audited Accounts - we have uploaded a copy to the portal.

Summary of key staff involved in the project - this is included in Section 2 Project Management

Three references:

██████████ - Newlon Housing Trust
for Tottenham Town Hall
██████████@newlon.org.uk

██████████ - Notting Hill Housing
for Clapham One
██████████@nhhg.org.uk

██████████ - Gallions Housing
for The Fold
██████████@gallionsha.co.uk

Form of Tender

Annex 6: Form of Tender

Form of Tender

LONDON BOROUGH OF LAMBETH

Unconditional and Irrevocable offer to the Council

CONTRACT FOR: SW2 Enterprise Centre

Company's Full Name: United House Limited

Company's Full Address: United House, Goldsel Road, Swanley, Kent BR8 8EX

1.0 FORM OF TENDER

1.1 To the Mayor and Burgesses of the London Borough of Lambeth ("the Council"):

I/We the undersigned, hereby offer to undertake on the acceptance of this Tender to perform, execute or otherwise carry out (enter the title of the Services here) to the Council in accordance with the Tender documentation.

I/We the undersigned, having examined the Tender Documents hereby undertake to perform the Services required for the following Price, exclusive of VAT: Prices and rates quoted shall be deemed to include the cost of inter alia, all vehicles, expenses, materials, equipment including computer systems, overheads, labour, travel expenses, waiting, personal attendance including evening meetings, data processing, statistical information, reports, accounts, and the Contractor's general obligations under the Conditions of Contract and the Schedules and other items of work to complete the Services to all statutory requirements, professional codes of practice, the Contractor's policies and codes, the reasonable satisfaction of the Authorised Officer, to the Contract Standard, together with all liabilities whether express or implied incurred or incumbent upon the Contractor pursuant to the Contract.

2.0 TOTAL PRICE:

2.1 As stated in variant bid in accordance with paragraph 6.10.

3.0 CONTRACTORS PROPOSALS

3.1 I/We hereby submit my/our Contractors Proposals and offer deliverables as required by the Conditions of Contract of the Instructions for Tenderers.

YES NO

4.0 DECLARATION

4.1 I/We understand that my/our Tender is for the Prices and rates as set out in paragraph 2.1 and undertake that if this Tender is accepted I/we will not, save as expressly provided in the Conditions of Contract, be entitled to and will not withdraw the above offer and undertaking and will subject to and according to the documents carry out the Services.

4.2 I/We agree that the insertion by me/us of any conditions qualifying this Tender or any unauthorised alteration to any of the Tender documents shall not amend these Documents and may cause the Tender to be rejected.

4.3 I/We agree that this Tender shall remain open for acceptance by the Council and shall not be withdrawn for four calendar months from the last date specified for the receipt of this Tender. I/We undertake and agree that if this Tender is accepted by the Council, the said Tender shall from the date of such acceptance form a binding Contract between us. Nevertheless I/We further undertake to execute a formal agreement under seal for the proper and complete fulfilment of the Contract.

4.5 I/We confirm that I/we have fully read and understood the Contract Terms and Conditions enclosed in the Tender pack of documents. If there are Terms and Conditions that I/we object to, I/we agree to raise these issues with the named officer responsible for this Contract, before signing this Form of Tender.

4.6 I/We hereby acknowledge that I/we shall be disqualified and my/our Tender may accordingly be rejected by the Council at its sole option if I/we:

- Fix or adjust the prices already shown in my/our Form of Tender by or according to any agreement or arrangement with any other person, group or Tenderer;
- Communicate to any person other than the Council the amount or approximate amount of the prices shown in my/our Form of Tender, except where such disclosure is made in confidence to obtain quotations necessary for the preparation of the Form of Tender, or for the purposes of insurance referred to in these Tender Documents;
- Enter into any agreement or arrangement with any other person that such other person shall refrain from submitting a Form Of Tender or shall limit or restrict the Prices to be shown by any other Tenderer in its Form of Tender;
- Offer or agree to pay or give or do pay or give any sum of money, inducement or consideration whether directly or indirectly to any individual or group for doing or having done or having caused to be done or refraining from doing anything in relation to any other Tenderers or any other person's proposed Form of Tender;
- Shall have offered, given or agreed to give any person any gift or consideration of any kind as an inducement or reward for doing or forbearing to show favour or disfavour to any person in relation to the Contract or any other Contract with the Council, or if the like acts shall have been done by any person employed by me/us or acting on my/our behalf, whether with or without my/our knowledge;
- In relation to any Contract with the Council, I/we or any person employed by me/us or acting for me/us shall have committed an offence under the Bribery Act 2010 and the Prevention of Corruption Act 1972, or shall have given any fee or reward, the receipt of which is an offence under section 117 of the Local Government Act 1972 and all subsequent amendments. Details on the Bribery Act 2010 can be found [here](#). Such non acceptance or rejection shall be without prejudice to any other civil remedies available to the Council or any criminal liability which conduct by me/us may attract.

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Annex 6: Form of Tender

4.7 I/We declare that I am/we are not party to any scheme, agreement or arrangement by which any Tenderer for the said Services has been or may be reimbursed by any other Tenderer in respect of whole or any part of their Tendering costs.

4.8 I/We acknowledge that the Council may in its absolute discretion refrain from considering any tender if the Tenderer does not tender for the provision of the entire Services contained in the Specification.

4.9 I/We acknowledge that the Council is not contractually bound to consider this Tender and that the issuing of any Tender Documents to me/us did not amount to any form of offer for any purpose.

4.10 I/We accept that the Council are not bound to accept any tender at all.

4.11 I/We confirm that this is a bona fide Tender.

4.12 I/We hereby warrant and represent to undertake with the Council that:

a. I/We have complied in all respects with and understand all parts of the Invitation to Submit Final Tender;

b. All information, representations and other matters of fact communicated (whether in writing or otherwise) to the Council by me/us or my/our employees concerning this Tender are true, complete and accurate in all respects;

c. I/We have not submitted a Tender or entered into the Contract in reliance upon any representation or statement that may have been made by the Council;

d. I/We have full power and authority to enter into the Contract and carry out the service.

5.0 SIGNE

Position: Group Director

Dated this 13th day of September 2013

Full Name of Person or Company: United House Limited

Company's Full Address: United House, Goldsel Road, Swanley, Kent BR8 8EX

Telephone Number: 01322 616531

Mobile Number: 07764 286 589

Email Address: pnicholls@unitedhouse.net

State whether the firm is a sole proprietor:

YES NO

In case of partnership, enter the full name and address of each partner:

Full Name of Person or Company:

Company's Full Address:

Full Name of Person or Company:

Company's Full Address:

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Certificate of Non-Collusion/Non-Canvassing

Annex 3: Certificate of Non-Collusion and Non-Canvassing

To: London Borough of Lambeth (the "Contracting Authority")

Re: SW2 Enterprise Centre (the "Contract")

Date: 21st June 2013

Statement of non-canvassing

I/we hereby certify that I/we have not canvassed any member, Director, employee, representative or adviser of the Contracting Authority in connection with the proposed award of the Contract by the Contracting Authority, and that no person employed by me/us or acting on my/our behalf, or advising me/us, has done any such act.

I/we further hereby undertake that I/we will not canvass any member, Director, employee, representative or adviser of the Contracting Authority in connection with the award of the Contract and that no person employed by me/us or acting on my/our behalf, or advising me/us, will do any such act.

Statement of non-collusion

The essence of selective tendering through the ISDS for the Contract is that the Contracting Authority shall receive bona fide competitive Detailed Solutions from all Bidders.

In recognition of this principle, I/we certify that this is a bona fide Detailed Solution, intended to be competitive and that I/we have not fixed or adjusted the amount of the financial offer or any other part of the Detailed Solution in accordance with any agreement or arrangement with any other person (except any sub-contractor identified in this Detailed Solution).

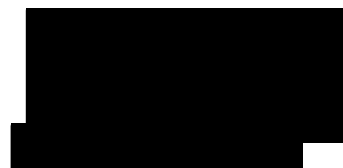
I/we also certify that I/we have not done, and undertake that I/we will not do, at any time any of the following acts:

- (a) communicate to a person other than the Contracting Authority, any of the terms of our Detailed Solution except where the disclosure in confidence was essential to obtain insurance premium quotations required for the preparation of the Detailed Solution; or
- (b) enter into any agreement or agreements with any other person that they shall refrain from participating or tendering or as to the terms of any Detailed Solution submitted by them; or

- (c) offer or agree to pay or give or actually pay or give any sum of money, inducement or valuable consideration, directly or indirectly, to any person for doing or having done or having caused to be done in relation to any other offer or proposed offer, any act or omission.

I/we agree that the Contracting Authority may, in its consideration of the Detailed Solution and in any subsequent actions, rely upon the statements made in this Certificate.

Signed:



Position: Group Director

For and on behalf of: United House Group

Form of Covering Letter

**Annex 4: Form of Covering Letter
to be used by Bidders for submission of Detailed Solutions**

To: London Borough of Lambeth (the "Contracting Authority")

Re: SW2 Enterprise Centre (the "Contract")

Date: 21st June 2013

Dear [REDACTED]

Please find enclosed our ISDS (trial bid). Our proposed scheme has been developed further based on the dialogue meetings we have had to date with LB Lambeth officers and supporting consultants. Throughout this process we have adopted an open and transparent approach to these meetings believing that this approach will deliver you the best possible scheme for the Town Hall, your staff and the surrounding community. We appreciate that our solution developed to date does not as yet deliver a cost neutral position but we are confident that, through working with you and your team, this outcome is now achievable.

Please do not hesitate to contact either Chris Dawes or myself should you require any further information and we looking forward to enhancing the scheme even further over the coming weeks.

Having examined the Invitation to Submit Detailed Solutions (ISDS) and other documents made available to us and having satisfied ourselves as to all other matters relevant thereto, we confirm our Detailed Solution to enter into the Contract and associated documents with the Contracting Authority to provide the works and/or services referred to in the ISDS.

We enclose our Detailed Solutions, and confirm that these comprise all of the documents required to be submitted in accordance with the ISDS together with all other required supporting documents.

We confirm that, subject to the following paragraph, that no correspondence between the Contracting Authority and ourselves shall constitute any binding agreement or contract between, unless and until a formal written agreement has been executed.

We confirm that in submitting our Detailed Solution, we have satisfied ourselves as to the accuracy and completeness of information we require in order to do so (including the accuracy and completeness of information contained in the ISDS).

We agree to agree to comply at all times with the provisions of confidentiality outlined within the tender documents.

Yours faithfully

Signed:



Position: Group Director

For and on behalf of: United House Group

