

## Appendix 3a

### CEHF Financing Details of Option 2 and Option 3

The two tables listed below provide an overview of how the council will match fund the £1.9M Cluster of Empty Homes Funding for Options 2 and 3. N.B. Costs are shown as a positive and income is shown as a negative number.

The top half of the two tables above the thick black line details eligible cost and sales income to arrive at a total. The lower half details the resources available to deliver the option including the match funding and external funding and then applies this to the total costs to arrive at the balance of the option.

<b>Option 2</b>	LCC Cost & Income	Private Match	Clusters of Empty Homes Funding
Total Council Eligible Clusters Spend	£3,434,805		
Out-turn of refurb Sales income applied to eligible spend	<b>-£818,158</b>		
Grants to private empty properties	£138,000		
<b>Gap After remainder of refurb sales income</b>	<b>£2,754,647</b>		
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LCC Match from income	<b>-£1,182,933</b>		<b>-£1,182,933</b>
LCC private match (external to LCC costs)		<b>-£809,500</b>	<b>-£809,500</b>
Match funding total to equal or exceed approval			<b>-£1,992,433</b>
Clusters of Empty Homes Funding Approval			<b>-£1,942,740</b>
LCC Match from Income + Clusters funding	<b>-£3,125,673</b>		
<b>Balance of Scheme - Contingency if negative &amp; Gap if positive</b>	<b>-£371,026</b>		

<b>Option 3</b>	LCC Cost & Income	Private Match	Clusters of Empty Homes Funding
Total Council Eligible Clusters Spend	£3,434,805		
Out-turn of refurb Sales income applied to eligible spend	£302,217		
Grants to private empty properties	£138,000		
<b>Gap After remainder of refurb sales income</b>	<b>£3,875,022</b>		
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LCC Match from income	<b>-£1,182,933</b>		<b>-£1,182,933</b>
LCC private match (external to LCC costs)		<b>-£809,500</b>	<b>-£809,500</b>
Match funding total to equal or exceed approval			<b>-£1,992,433</b>
Clusters of Empty Homes Funding Approval			<b>-£1,942,740</b>
LCC Match from Income + Clusters funding	<b>-£3,125,673</b>		
<b>Balance of Scheme - Contingency if negative &amp; Gap if positive</b>	<b>£749,349</b>		

The titles of the tables are explained below.

Total Council Eligible Clusters Spend – This is the cost to the council of refurbishing and carrying out facelifts to empty properties in the Chatsworth Gardens area.

Out-turn of Refurb Sales income applied to eligible spend – This is the balance of the sales income from the properties directly refurbished by the council after it has been applied to the ineligible costs that relate to the acquisition, refurbishment and demolition of occupied properties. Option 2 provides income due to not budgeting for the acquisition of the second Regent Road terrace where as Option3 includes this cost which is greater than the sales income and is therefore a further cost.

Grants to private empty properties – This is the grant support provided to owners of private properties in the West End outside of Chatsworth Gardens.

Gap After remainder of refurb sales income – This is the cost of the project that needs to be met.

LCC Match from income – This is the sales income from properties sold to private developers and owner occupiers to refurbish back into positive use. This is the principal source of match funding the council has.

LCC Private Match (external to LCC costs) – This is the investment made by the private sector in bringing empty homes back into use. Although this is not direct spend by the council the evidence of private investment made to bring empty homes back into use can be counted as match funding. This increases the amount of funding the council can access to support the project.

Match Funding Total to equal or exceed approval – This is the total match funding provided by the council i.e. the sum of LCC Match from income and LCC Private Match. To access the full approval of funding offered this sum needs to at least equal this amount.

Cluster of Empty Homes Approval – This is the amount of funding approved by the Homes and Communities Agency and needs to be match funded pound for pound.

LCC Match from Income + Clusters funding – This is the total funding available to meet the total costs.

Balance of Scheme – This is the outturn of the project i.e. cost less funding and this equals either a contingency if negative or a gap funding requirement if positive. For Option 2 the £371K contingency provides a safety net if required or resources to be applied to completing the second Regent Road terrace. For Option 3 the £749K gap funding requirement is the further investment the council will need to contribute.

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### **Notes on General Project Costs and Income**

The direct refurbishment costs used in the appraisals are based upon benchmarked cost estimates from quantity surveyors and correlate with tendered costs for regeneration projects in terms of both unit and m2 rates. The specification for the refurbishments is high and there is potential to reduce elements or specifications if costs are greater than anticipated.

The sales values for the refurbished properties are based upon detailed professional advice from both national and local surveyors. The values ascribed to refurbished properties are lower than the market averages to mitigate the sales risk faced by the project. The sales values for the properties to be sold to private developers to refurbish were estimated by national and local surveyors and again are viewed as prudent estimates to mitigate sales risks. Furthermore, the values have been checked by back calculating from the anticipated development costs and the end value to ensure that they are a viable prospect.

The acquisition costs listed in the appraisals are based upon professional valuations from a team of local and national surveyors. Although current market conditions have been viewed as poor since the recession, local house prices have largely remained flat following the initial drop in values that followed the recession and it is likely that this static trend will

continue. The risk that house prices will increase is considered low and is offset by the properties the project will in turn be selling.

Properties currently owned by the council, both in the Chatsworth Gardens site and in other parts of the West End, will be sold with an approved planning permission detailing the refurbishment to be undertaken. The sale will be under a development agreement that specifies when this must be completed and that all costs to achieve this need to be documented and provided to the council. This is the private sector match funding, although the costs are separate to the council's costs the evidence of spend to bring empty homes back into use can be utilised as match funding to enable access to the HCA funding. There will be a set of criteria to qualify to be able to buy one of these properties to ensure that developers have the finance in place and that the future use and management will be to council standards. Control over quality, timescales and documentation of spend is provided by the development agreement whereby the developer pays the acquisition price less £1 and the council retains the title until the conditions of the development agreement have been discharged.

The development cost used to estimate private sector match are low, to avoid optimism bias. The estimates are approximately half the cost expected. Lower estimates have been used due to the importance of securing this investment to the project's success in drawing down HCA grant funding. The estimates cover a range of property conditions that will vary in cost to refurbish. The developer's redevelopment costs will also vary, as some will be builders and others will be procuring services in a standard way. All these factors have led to the low figure being ascribed to avoid over estimation. The converse of such prudence is that there is a possibility that the council could overachieve on its estimates for securing private sector match from these properties which would have positive benefits for the project and for the council.

Privately owned empty properties within the Cluster area will be targeted by officers to be brought back into use. A small amount of the private sector match will be captured from the cost of bringing these properties back into use. The estimated private sector costs to bring empty property back into use are low to avoid optimism bias. Costs will vary as there are a range of property conditions from long term empties that require full refurbishment to short term empties that need minor improvements. The use of grant assistance to ensure that the council can offer both a "carrot" and "stick" approach is essential to achieve the required number of empty homes within the timescales. A further element of caution in deriving private sector match from these properties is from the low success rate of 50% of the 55 private empty properties being brought back into use. This very prudent estimate may mean that the council overachieves on both the number of empty homes brought back into use and the level of private sector match funding evidenced.

The application of private sector match into the project funding is beneficial to the council as it allows the total approval of funding to be accessed. The significance of this to the project is considerable and it is for this reason the estimates are prudently low.