

Outline Business Case

Property & Development Company

Summary

Summary of Proposal

- » To Establish a Council Owned Local Property & Development Company to:
 - » Generate revenue income.
 - » Deliver approved property developments.
 - » Acquire and sell private market property.
 - » To stimulate and accelerate property development.
 - » To deliver long term capital appreciation.
 - » To support Council vision and objectives

Key Benefits

- » Generates Revenue Income for the Council
- » Manage market housing assets
- » To help stimulate / accelerate market housing and development delivery
- » Improve supply, quality and quantity of private rented housing
- » To act as a responsible private landlord
- » A flexible structure for future needs

Recommended Form

- » A Company Limited By Shares
- » Share 100% Owned by the Council
- » Established under General Fund Powers (S1 Localism Act 2011)
- » Benefits of this structure include:
 - » Flexibility
 - » Teckal Compliant
 - » Group rules for Stamp Duty Land Tax
 - » Simplicity

Considerations for Company

- » Clear rationale for establishment
- » Land transactions between Council and Co' must comply with S123 LG Act 1972
- » EU Procurement Compliance
- » State Aid considerations
- » Taxation including VAT and Corporation Tax
- » Access to Capital Funding and Working Capital

Modelling Options for Business Case

- » The following specific options have been modelled for this Business Case:
 - » 68 Council Owned Market Rental Properties (Base Case)
 - » A development of 13 houses for market rental
 - » A development of 24 houses for market rental
 - » A refurb & dev of 15 properties for market rental
 - » A development of 75 houses for market rental
 - » A development of 135 houses for market rental
- » Likely that larger sites will be mixed disposal and market rental – improve overall financial return.

Key Modelling Assumptions

- » Market rental for a 2 bed = £250 / wk in Bath
- » Affordable rental for a 2 bed = £200 / wk in Bath
- » Occupancy rates 90% pa Market / 100% Affordable
- » Split between Market Rental / Affordable = 70:30 %
- » Management cost taken at 15% of income
(Marketing, Cleaning, Tenant Management, Overhead etc)
- » Insurance and Maintenance costs included per property
- » Bad Debts / Contingency of 5% per annum included
- » Cost and Revenue inflation taken at 2%
- » PWLB taken over 35 years
- » Payment to Council for S123 Lease on Land assumed at Market Value.

Key Financial Points

- » Potential to deliver annual £600K+ revenue by 2019 and £1.6M pa within 10 years.
- » Based on a programme of increasing scale & complexity.
- » PWLB requirement of up to £20M (Maximum)
- » Significant long-term potential and capital appreciation
- » Options to accelerate delivery (subject to risk and resourcing)
- » Outline site by site financial models attached as per appendix.
- » **Subject to detailed site-by-site business cases.**

Other Benefits

- » Relatively simple to set up
- » Utilises Council expertise from project delivery
- » Brings vacant brownfield and greenfield sites into use.
- » Potential to speed up market housing delivery and hence deliverability of Housing numbers (SHMA)
- » Potential use of local contractors and / or subcontractors (Think Local)
- » Generates Council Tax and New Homes Bonus
- » Company structure provides flexible basis for other commercial opportunities