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Friday, 23 February 2018

**TO: THE MAYOR AND COUNCILLORS**

Dear Councillor,

Please see attached for the meeting of **COUNCIL** on **WEDNESDAY, 28 FEBRUARY 2018**.

Yours faithfully

A handwritten signature in black ink, appearing to be 'Kim Webber', written over a horizontal line.

Kim Webber  
Chief Executive

**PAGE(S)**

Agenda Item:

**17. MEDIUM TERM GRA CAPITAL PROGRAMME**  
APPENDIX 3, marked 'To follow'

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**MEDIUM TERM GRA CAPITAL PROGRAMME**  
**APPENDIX 3 - GORSEY PLACE FINANCIAL APPRAISAL**

**Summary**

The financial appraisal for this scheme shows a positive net present value of £145,850 after 30 years and a positive cash flow position after 16 years taking into account the initial capital investment.

The gross yield from the scheme would be 7.89% if all of the units are fully occupied.

**Key Assumptions**

Total cost of works	962,000	(892k build cost plus 70k contingency)
Insurance contribution	<u>285,000</u>	
Net cost of works	<u>677,000</u>	

Discount factor 3.50%

Loss of investment income on 962k cost of works - assumed rate of return on investments

Years 1-2	1.0%
Years 3-4	2.0%
Years 5-6	3.0%
Years 7-8	4.0%
Years 9+	4.0%

Empty rates charges @ 2.5% of gross income levels 2.5%

Service charge repairs @ 5% of gross income levels 5.0%

Repairs and Maintenance costs	Years 1-10	3,000
	Years 11+	6,000

Income assumptions

Rent per square foot	£5.50
Rent increase after year 10	10%

Occupancy levels

Year 1	50%
Years 2-3	100%
Years 4+	85%

A rental income is assumed for the next 5 years on the 2 units that are currently vacant

Service charge income @ 5% of rent after allowing for occupancy factor

**GORSEY PLACE REDEVELOPMENT FINANCIAL APPRAISAL**

Year	3.5% PV Factor	Loss of investment Cost	Empty rates income	charges	Service charge - repairs	Repairs and maintenance	Expenditure PV	Net Income	Service charge	Income PV	Cumulative Cash position	PV Surplus
Year 0	1.0000	-962,000					-962,000	285,000		285,000	-677,000	-677,000
Year 1	0.9662		-9,620	-2,585	-5,170	-3,000	-19,686	24,700	2,585	26,362	-670,090	6,676
Year 2	0.9335		-9,620	-2,585	-5,170	-3,000	-19,020	76,400	5,170	76,146	-608,895	57,126
Year 3	0.9019		-19,240	-2,585	-5,170	-3,000	-27,054	76,400	5,170	73,571	-557,320	46,518
Year 4	0.8714		-19,240	-2,585	-5,170	-3,000	-26,139	60,890	4,395	56,892	-522,031	30,753
Year 5	0.8420		-28,860	-2,585	-5,170	-3,000	-33,355	60,890	4,395	54,968	-496,361	21,613
Year 6	0.8135		-28,860	-2,585	-5,170	-3,000	-32,227	87,890	4,395	75,074	-443,692	42,847
Year 7	0.7860		-38,480	-2,585	-5,170	-3,000	-38,698	87,890	4,395	72,535	-400,642	33,837
Year 8	0.7594		-38,480	-2,585	-5,170	-3,000	-37,390	87,890	4,395	70,082	-357,593	32,692
Year 9	0.7337		-38,480	-2,585	-5,170	-3,000	-36,125	87,890	4,395	67,712	-314,543	31,587
Year 10	0.7089		-38,480	-2,585	-5,170	-3,000	-34,904	87,890	4,395	65,422	-271,494	30,519
Year 11	0.6849		-38,480	-2,844	-5,687	-6,000	-36,309	96,679	4,834	69,531	-222,991	33,222
Year 12	0.6618		-38,480	-2,844	-5,687	-6,000	-35,081	96,679	4,834	67,180	-174,489	32,098
Year 13	0.6394		-38,480	-2,844	-5,687	-6,000	-33,895	96,679	4,834	64,908	-125,986	31,013
Year 14	0.6178		-38,480	-2,844	-5,687	-6,000	-32,749	96,679	4,834	62,713	-77,484	29,964
Year 15	0.5969		-38,480	-2,844	-5,687	-6,000	-31,641	96,679	4,834	60,592	-28,981	28,951
Year 16	0.5767		-38,480	-2,844	-5,687	-6,000	-30,571	96,679	4,834	58,543	19,521	27,972
Year 17	0.5572		-38,480	-2,844	-5,687	-6,000	-29,538	96,679	4,834	56,563	68,024	27,026
Year 18	0.5384		-38,480	-2,844	-5,687	-6,000	-28,539	96,679	4,834	54,651	116,526	26,112
Year 19	0.5202		-38,480	-2,844	-5,687	-6,000	-27,574	96,679	4,834	52,803	165,029	25,229
Year 20	0.5026		-38,480	-2,844	-5,687	-6,000	-26,641	96,679	4,834	51,017	213,531	24,376
Year 21	0.4856		-38,480	-2,844	-5,687	-6,000	-25,740	96,679	4,834	49,292	262,033	23,551
Year 22	0.4692		-38,480	-2,844	-5,687	-6,000	-24,870	96,679	4,834	47,625	310,536	22,755
Year 23	0.4533		-38,480	-2,844	-5,687	-6,000	-24,029	96,679	4,834	46,014	359,038	21,985
Year 24	0.4380		-38,480	-2,844	-5,687	-6,000	-23,216	96,679	4,834	44,458	407,541	21,242
Year 25	0.4231		-38,480	-2,844	-5,687	-6,000	-22,431	96,679	4,834	42,955	456,043	20,524
Year 26	0.4088		-38,480	-2,844	-5,687	-6,000	-21,673	96,679	4,834	41,502	504,546	19,830
Year 27	0.3950		-38,480	-2,844	-5,687	-6,000	-20,940	96,679	4,834	40,099	553,048	19,159
Year 28	0.3817		-38,480	-2,844	-5,687	-6,000	-20,232	96,679	4,834	38,743	601,551	18,511
Year 29	0.3687		-38,480	-2,844	-5,687	-6,000	-19,548	96,679	4,834	37,433	650,053	17,885
Year 30	0.3563		-38,480	-2,844	-5,687	-6,000	-18,886	96,679	4,834	36,167	698,556	17,280
							-1,800,701			1,946,552		145,850

**INCOME ANALYSIS**

Periods	Rent level	Occupancy factor	Rent after occupancy factor	Previous Rent Level	Net Rent Position	Comments
[1]	[2]	[3]	[2] * [3]	[4]	( [2] * [3] ) - [4]	
1	103,400	50%	51,700	27,000	24,700	50% occupancy in first year
2	103,400	100%	103,400	27,000	76,400	100% occupancy in years 2 and 3
3	103,400	100%	103,400	27,000	76,400	
4	103,400	85%	87,890	27,000	60,890	85% occupancy from year 3 onwards
5	103,400	85%	87,890	27,000	60,890	
6	103,400	85%	87,890		87,890	
7	103,400	85%	87,890		87,890	
8	103,400	85%	87,890		87,890	
9	103,400	85%	87,890		87,890	
10	103,400	85%	87,890		87,890	
11	113,740	85%	96,679		96,679	10% rent increase after year 10
12	113,740	85%	96,679		96,679	
13	113,740	85%	96,679		96,679	
14	113,740	85%	96,679		96,679	
15	113,740	85%	96,679		96,679	
16	113,740	85%	96,679		96,679	
17	113,740	85%	96,679		96,679	
18	113,740	85%	96,679		96,679	
19	113,740	85%	96,679		96,679	
20	113,740	85%	96,679		96,679	
21	113,740	85%	96,679		96,679	
22	113,740	85%	96,679		96,679	
23	113,740	85%	96,679		96,679	
24	113,740	85%	96,679		96,679	
25	113,740	85%	96,679		96,679	
26	113,740	85%	96,679		96,679	
27	113,740	85%	96,679		96,679	
28	113,740	85%	96,679		96,679	
29	113,740	85%	96,679		96,679	
30	113,740	85%	96,679		96,679	

Rent level calculation in year 1

Square footage	18,800
Rent per square foot	5.50
Rent income	<u>103,400</u>

Previous rent level

The previous rent level column reflects the income that could be earned on the 2 units that are currently vacant, which are assumed to be lettable for the next 5 years

**DISCOUNT FACTOR**

Period	3.50% Rate
1	0.9662
2	0.9335
3	0.9019
4	0.8714
5	0.8420
6	0.8135
7	0.7860
8	0.7594
9	0.7337
10	0.7089
11	0.6849
12	0.6618
13	0.6394
14	0.6178
15	0.5969
16	0.5767
17	0.5572
18	0.5384
19	0.5202
20	0.5026
21	0.4856
22	0.4692
23	0.4533
24	0.4380
25	0.4231
26	0.4088
27	0.3950
28	0.3817
29	0.3687
30	0.3563