

APPENDIX 1: Wirral PropCo

Potential Phase 1 Asset Assessment Summary Note

1. Background to Note

- 1.1 This note has been prepared by GVA to inform discussions within Wirral MBC regarding the inclusion of assets for Phase 1 Property Company.
- 1.2 It summarises the process followed in identifying prospective sites for inclusion within Phase 1 PropCo including initial testing of the financial case for PropCo. The sites identified and initial analysis of their viability and potential development outputs (including estimated Gross Development Value) is required to underpin the Business Case being developed to support strategic decision making within the Council. It has had regard to those sites identified by the Council within the Capital Disposals Programme and exercise of soft market testing with Registered Providers.

2. Identification of Potential Phase 1 Sites

- 2.1 A meeting was held on 27th February 2017 at Wirral MBC including officers cutting across the Asset, Finance, Planning, and Housing teams of the Council, and representatives of GVA. The purpose of the meeting was to review the 'long list' of the Council assets and identify prospective Phase 1 PropCo sites.
- 2.2 The long list included assets covering:
- Land and buildings
 - Operational assets
 - Non-Operational assets
 - Freehold and leasehold assets
- 2.3 A total of 1,888 sites were identified on the long list site.
- 2.4 A criteria was established to identify potential Phase 1 sites from the long list of assets including:
- Sites must be developable within the next 12-18 months

- Sites must not already be in the process of disposal or subject to agreement with a private sector partner / developer

2.5 It was noted in discussion that a number of the assets are subject to other initiatives and exercises underway within the Council. The main initiatives and exercises are noted below, with implications for the refinement of the shortlist:

- Registered Housing Providers – a number of assets had previously been identified by the Council as being appropriate for the purposes of soft market testing with RPs. The criteria for these assets mirrored those of PropCo, with the addition of being residential sites exclusively. These assets were not blanket removed for the purposes of PropCo, with discussion around the potential for both processes to not be mutually exclusive (i.e. the potential for RP's to deliver as part of PropCo which is as yet untested), and that the RP soft market testing was not binding in relation to any specific sites (albeit it was noted that the Council were keen to ensure there was no reputational impacts of any decisions around PropCo sites with the RPs). On review however a number of sites were identified to have specific housing outputs which may not be commercially developable / deliverable under PropCo without putting specific restrictions on the ultimate partner / sites to be included. Sites identified that fit with this criteria were removed.
- Capital Disposal Programme – a number of assets had previously been identified by the Council for direct disposal to generate capital income to meet immediate budget deficit pressures. Initially these assets were not removed for the purposes of PropCo, with discussion around the potential to identify alternative site disposals, or investment sales, should the need arise in due course depending on the testing of the viability of PropCo based on the potential Phase 1 asset list. Following further discussion and re-affirmation of the need to identify sites for direct disposal to address the deficit budget, these sites were removed from consideration under PropCo.
- Reimagining Leisure – a review is underway across the Council to consider the future provision of leisure services across Wirral. This captures assets including open space, playing fields, sports clubs (Council owned), museums (Council owned). These assets were removed from the long list, with potential to bring assets into future phases of PropCo depending on the outcome of the review.
- Library Review – a review is underway across the Council to consider the future provision of libraries across Wirral.) These assets were removed from the long list, with potential to bring assets into future phases of PropCo depending on the outcome of the review.
- Employment Land Review – an updated Employment Land Review evidence base is currently being prepared on behalf of the Council, including consideration of a number of Council assets. It was agreed that conclusions around the potential availability of industrial estates owned by the Council would not be possible until this ELR process is completed. These assets were removed from the long list, with potential to bring assets into future phases of PropCo depending on the outcome of the review.
- Green Belt sites – we discounted all Green Belt sites as not being able to be delivered within 12-18 months on a policy compliant basis, with the exception of sites where there is existing building footprints which could be redeveloped.
- Operational assets – we discounted the majority of operational assets as not being able to definitively be delivered within 12-18 months. Operational assets which are known to be underutilised, and/or are known to be in the process of being vacated were considered.
- Car Parking Strategy – it was noted that a number of assets on the long list are existing car parks where income (revenue) is currently received by the Council. A number of car parks were therefore discounted on this basis.

- 2.6 This refinement process resulted in the identification of 49 assets for consideration to potentially form PropCo Phase 1. These assets are listed in **Section 6 of this note.**
- 2.7 Through the procurement process the bidders will be asked to provide a baseline analysis of 14 sites (representative sample) for them to demonstrate their skills and approach. The sites identified to support the procurement exercise are listed in **Section 6 of this note.**

3. Assumed Development Outputs

- 3.1 In order to understand the potential financial contribution of each asset identified as a potential Phase 1 asset it was necessary to run a Residual Land Value (RLV) development appraisal for each.
- 3.2 To underpin these appraisals we undertook an exercise to identify the potential development outputs across each.
- 3.3 In each case linked to the need to identify sites that are deliverable in 12-18 months we assumed a policy compliant development output – i.e. for sites currently allocated or in use as employment, we assumed employment development, for sites allocated for housing, we assumed housing development. In addition we identified design considerations stated in policy relating to density (site specific), requirements in relation to affordable housing provision (site specific), and housing need in relation to property sizes (bedroom) (authority wide).
- 3.4 For each asset the Council provided a 'Development Brief' establishing these policy requirements and acceptable uses. As the final layer of this analysis, we provided commercial input to the prospective development outputs – giving a sense check to the figures, but remaining within a policy compliant position.
- 3.5 It should further be noted that in reality any assets ultimately included in PropCo will be considered on an individual basis to maximise their development potential – and therefore the outputs considered in this exercise are estimates alone.

4. Appraisal Assumptions Applied

- 4.1 A series of standardised assumptions have been applied to the appraisals to enable a consistent approach to assessing their viability and GDV potential. These are summarised in the table at **Appendix 2.**

- 4.2 It should be noted that assets ultimately included within PropCo will be considered on an individual basis to maximise outputs and commerciality within the market. It can be assumed therefore that greater value will be driven through PropCo than identified in this high level exercise.
- 4.3 The assumptions applied are based on industry norms (e.g. build costs from BCIS) and advice from agents within GVA.
- 4.4 In addition, a site specific approach to affordable housing was applied, in line with policy requirements. This included identifying sites with 11 or residential unit yields, and policy requirement of either 10% or 20% imposed depending on need (identified within policy guidance and confirmed by the Council at the Development Brief stage).

5. Site Specific Assumptions Applied

- 5.1 For a number of assets a site specific approach was taken where it was considered to be appropriate based on knowledge of the site or local area warranted it. These site specific assumptions are noted below:

Birkenhead Town Hall (42160858) and Conway Centre (42159758) – buildings assumed to be retained not demolished based on listed status
Former MOD Site Bromborough (42083953) – commercial values assumed to be £7.50psf based on market strength within local area and prominence / strategic nature of site

- 5.2 The identified development outputs and assumptions were applied to each asset as identified, and a RLV and GDV identified for each.
- 5.3 A significant number of the assets were identified on this basis to be unviable. These were predominantly residential development sites, a significant proportion were assumed to be apartment schemes, and a number had affordable housing outputs included. Two further actions were taken on this basis:
1. Three bedroom apartments were replaced with two bedroom apartments – based on the lack of viability of three beds (high construction cost vs limited values and/or untested market in Wirral)
 2. Where the application of Step 1 still resulted in negative land value, the affordable housing assumption was removed.

6. Phase One Property Company Assets

Below is a list of the 49 assets identified to form Phase one. In addition, a number of potential strategic acquisitions have been identified to support phase one PropCo development.

The 14 initial assets identified to support the procurement process are highlighted {*} in the final column of the table below.

No	Asset Ref	Asset Name	Asset Address	Initial Asset
1	42025091	Bebington town hall	Civic Way, Bebington, Wirral, CH63 7PT	*
2	42025084	Bebington Town Hall Annexe	Civic Way, Bebington, Wirral, CH63 7PN	*
3	42159758	Conway Centre	Conway Street, Birkenhead, Wirral, CH41 6JD	
4	42027657	Conway Street Amenity Open Space Site 2	Conway Street, Birkenhead, Wirral	
5	42027651	Hamilton Building and Car Park	Conway Street, Birkenhead, Wirral, CH41 4FD	
6	42160858	Birkenhead Town Hall	Hamilton Square, Birkenhead, Wirral, CH41 5BR	*
7	42167426	Elgin Way Car Park	Sidney Street, Birkenhead, Wirral	
8	42034902	Duncan Street Car Park	Duncan Street, Birkenhead, Wirral	
9	42025866	Treasury Building	Cleveland Street, Birkenhead, Wirral, CH41 6BU	*
10	42167383	Sandford Street 5	5 Sandford Street, Birkenhead, Wirral, CH41 1BN	
11	42167844	Europa Boulevard Site 1	Europa Boulevard, Birkenhead, Wirral	*
12	42167846	Europa Boulevard Site 2	Europa Boulevard, Birkenhead, Wirral	*
13	42167847	Europa Boulevard Site 3 (Price Street Car Park)	Europa Boulevard, Birkenhead, Wirral	*
14	42083953	Former MOD site, Bromborough	Old Hall Road, Bromborough, Wirral	*
15	42164462	Tower Grounds	Tower Promenade, New Brighton, Wirral	
16	42071219	Marine Park	Marine Promenade, New Brighton, Wirral	
17	42033871	Former Foxfield School site	Douglas Drive, Moreton, Wirral, CH46 6BT	*
18	42088125	Moreton Youth Club	Pasture Road, Moreton, Wirral, CH46 8SA	

19	42064157	Moreton Municipal Building	Knutsford Road, Moreton, Wirral, CH46 8TN	
20	42088107	Pasture Road Car Park	Pasture Road, Moreton, Wirral	
21	42064154	Pasture Road Sub Station Site No.1	Pasture Road, Moreton, Wirral	
22	42088119	Moreton Family Centre	Pasture Road, Moreton, Wirral, CH46 8SA	
23	42166988	Knutsford Road Recreational Open Space	Knutsford Road, Moreton, Wirral	
24	42032079	Demesne Street Recreation Ground	Demesne Street, Seacombe, Wirral	
25	42035371	Demesne Street (site of)	Demesne Street, Seacombe, Wirral	
26	42016278	Wallasey Town Hall North Annexe	Brighton Street, Wallasey, Wirral CH44 8ED	*
27	42016279	Wallasey Town Hall South Annexe	Brighton Street, Wallasey, Wirral CH44 8ED	*
28	42103913	Liscard Municipal Building	52 Seaview Road, Liscard, Wirral, CH45 4SY	
29	42166775	Liscard Play and Community Centre	52 Seaview Road, Liscard, Wirral, CH45 4SY	
30	42104192	Seaview Road Car Park	Seaview Road, Liscard, Wirral	
31	42002130	Bromborough Civic Centre	Allport Lane, Bromborough, Wirral, CH62 7HR	
32	42130703	Allport Lane Car Park	The Rake, Bromborough, Wirral	
33	42071700	Market Street Car Park, Birkenhead	Market Street, Car Park, Birkenhead	*
34	42167932	Ivy Farm	Arrowe Park Road, Woodchurch, Wirral	
35	42178503	Arrowe Hill School, Woodchurch	Woodland Road, Woodchurch, Wirral, CH49 8HL	*
36	42069201	Eastham Youth Centre	Lyndale Avenue, Eastham, Wirral, CH62 8DE	
37	42025788	Claughton Road (land at)	Claughton Road, Birkenhead, Wirral, CH41 6ES	
38	42192621	Oliver Street Car Park No.1	Oliver Street, Birkenhead, Wirral	
39	42192622	Oliver Street Car Park No.2	Oliver Street, Birkenhead, Wirral	
40	42109185	St John Street 5 (land at)	5 St John Street, Birkenhead, Wirral	
41	42157091	Wilbraham Street Car Park	Borough Road East, Birkenhead, Wirral	
42	42027658	Europa Pools Land & Car Parks	Conway Street, Birkenhead, Wirral, CH41 6RN	
43	42167862	Europa Square Car Park	Europa Square, Birkenhead, Wirral	
44	42166786	Exmouth Street Amenity Open Space	Exmouth Street, Birkenhead, Wirral	
45	42054084	Hinson Street Car Park	Hinson Street, Birkenhead, Wirral	*

46	42089876	Pilgrim Street Arts & Drama Centre	Pilgrim Street, Birkenhead, Wirral, CH41 5EH	
47	42192521	Woodside Ferry Approach Car Park	Woodside Ferry Approach, Birkenhead, Wirral	
48	42167636	Woodside Ferry Piazza Car Park	Woodside Ferry Approach, Birkenhead, Wirral	
49	42128324	Woodside Bus Terminus	Woodside Ferry Approach, Birkenhead, Wirral	
50 -56	<i>A number of potential strategic acquisitions have been identified to support PropCo phase one development.</i>			

APPENDIX 2: Appraisal Assumptions

Appraisal assumption	
Residential	
Unit sizes	<ul style="list-style-type: none"> • 2 bed house – 700 sq ft • 3 bed house – 925 sq ft • 4+ bed house – 1,025 sq ft • Affordable house – 700 sq ft • 1 bed apartment – 600 sq ft • 2 bed apartment – 750 sq ft • 3 bed apartment – 1,100 sq ft • Affordable apartment – 600 sq ft
Revenues	Birkenhead <ul style="list-style-type: none"> • 2 bed house - £110,000 • 3 bed house - £130,000 • 4+ bed house - £230,000 • Affordable house - £55,000 • 1 bed apartment - £80,000 • 2 bed apartment - £95,000 • 3 bed apartments - £105,000 • Affordable apartment - £40,000
	Wallasey <ul style="list-style-type: none"> • 2 bed house - £110,000 • 3 bed house - £155,000 • 4+ bed house - £240,000 • Affordable house - £55,000 • 1 bed apartment - £95,000 • 2 bed apartment - £105,000 • 3 bed apartments - £115,000 • Affordable apartment - £47,500
	Hoylake & West Kirby <ul style="list-style-type: none"> • 2 bed house - £175,000 • 3 bed house - £230,000 • 4+ bed house - £440,000 • Affordable house - £87,500 • 1 bed apartment - £140,000 • 2 bed apartment - £155,000 • 3 bed apartments - £170,000 • Affordable apartment - £70,000
	Heswall <ul style="list-style-type: none"> • 2 bed house - £190,000 • 3 bed house - £220,000 • 4+ bed house - £450,000 • Affordable house - £95,000 • 1 bed apartment - £165,000 • 2 bed apartment - £200,000 • 3 bed apartments - £240,000

		<ul style="list-style-type: none"> Affordable apartment - £82,500
Provision of affordable units		<ul style="list-style-type: none"> 10% – 20% as specified by the Council
Timescales		<p>Minor schemes (10 units or less)</p> <ul style="list-style-type: none"> 6 months pre-construction period 6 months + 1 month for every 3 units construction period 1 month for every 3 units sale period All units sold by P.C.
Construction costs		<ul style="list-style-type: none"> BCIS sourced Estate Housing Generally or (lower quartile) 20% addition for externals, connections, landscaping etc. Housing - £104 per sq ft Apartments - £117 per sq ft Contingency - 5% Demolition – Estimate based on known floorspace quantum and type on site
Other cost assumptions	Land & Acquisition	<ul style="list-style-type: none"> SDLT @ Post March 2016 budget graduated rate Agent fee – 1% of residual land cost Legal fee – 0.5% of residual land cost
	Professional fees	<ul style="list-style-type: none"> 8% of construction costs
	Marketing, Letting & Disposal of units	<ul style="list-style-type: none"> Sales, legal & marketing – 3% of GDV
Profit		<ul style="list-style-type: none"> 20% on GDV (25% on cost)
Commercial – B uses		
Rental values		<ul style="list-style-type: none"> B1a - £12.00 per sq ft B1c/B2 - £6 per sq ft B8 - £7.50 per sq ft
Capitalisation		<ul style="list-style-type: none"> B1a – 7% B1c/B2 – 9.5% B8 – 9.5%
Timescales		<ul style="list-style-type: none"> 6 months pre-construction period 12 months construction period Investment date at practical completion
Construction costs		<ul style="list-style-type: none"> BCIS sourced Offices generally (lower quartile) - £55 per sq ft Warehouses generally (lower quartile) - £55 per sq ft Factories generally (lower quartile) - £60 per sq ft 20% addition for externals, connections, infrastructure etc.

		<ul style="list-style-type: none"> Contingency - 5% Demolition - Estimate based on known floorspace quantum and type on site
Other cost assumptions	Land & Acquisition	<ul style="list-style-type: none"> SDLT @ Post March 2016 budget graduated rate Agent fee – 1% of residual land cost Legal fee – 0.5% of residual land cost
	Professional fees	<ul style="list-style-type: none"> 10% of construction costs
	Marketing, Letting & Disposal of units	<ul style="list-style-type: none"> Letting agent fee – 7.5% of achieved rent Letting legal fee – 0.5% of achieved rent Sales, legal & marketing – 1.75% of investment value
Profit		<ul style="list-style-type: none"> 17.5% on GDV (21.2% on cost)
Commercial – A uses		
Rental values		<ul style="list-style-type: none"> A1 - £42 per sq ft A2 - £42 per sq ft A3 - £20 per sq ft A4 - £20 per sq ft
Capitalisation		<ul style="list-style-type: none"> A1 – 6% A2 – 6% A3 – 6% A4 - 6%
Timescales		<ul style="list-style-type: none"> 6 months pre-construction period 12 months construction period 6 months' rent free applied Investment date once fully let
Construction costs		<ul style="list-style-type: none"> BCIS sourced Shops generally (lower quartile) - £72 per sq ft Restaurants (lower quartile) - £186 per sq ft Public houses, licensed premises (lower quartile) - £180 per sq ft 20% addition for externals, connections, infrastructure etc. Contingency - 5% Demolition - Estimate based on known floorspace quantum and type on site
Other cost assumptions	Land & Acquisition	<ul style="list-style-type: none"> SDLT @ Post March 2016 budget graduated rate Agent fee – 1% of residual land cost Legal fee – 0.5% of residual land cost
	Professional fees	<ul style="list-style-type: none"> 10% of construction costs

	Marketing, Letting & Disposal of units	<ul style="list-style-type: none"> Letting agent fee – 7.5% of achieved rent Letting legal fee – 0.5% of achieved rent Sales, legal & marketing – 1.75% of investment value
Profit		<ul style="list-style-type: none"> 17.5% on GDV (21.2% on cost)
Commercial – Hotel		
Revenue		<ul style="list-style-type: none"> £80,000 per bedroom
Timescales		<ul style="list-style-type: none"> 6 months pre-construction period 12 months construction period
Construction costs		<ul style="list-style-type: none"> BCIS sourced Refurbished/conversion hotel costs (median) - £137 per sq ft Contingency - 5%
Other cost assumptions	Land & Acquisition	<ul style="list-style-type: none"> SDLT @ Post March 2016 budget graduated rate Agent fee – 1% of residual land cost Legal fee – 0.5% of residual land cost
	Professional fees	<ul style="list-style-type: none"> 10% of construction costs
	Marketing, Letting & Disposal of units	<ul style="list-style-type: none"> Letting agent fee – 7.5% of achieved rent Letting legal fee – 0.5% of achieved rent Sales, legal & marketing – 1.75% of investment value
Profit		<ul style="list-style-type: none"> 17.5% on GDV (21.2% on cost)
Commercial – student accommodation		
Rental values		<ul style="list-style-type: none"> £3,500 per bed space per annum
Capitalisation		<ul style="list-style-type: none"> 4.5% (University head lease)
Timescales		<ul style="list-style-type: none"> 6 months pre-construction period 12 months construction period
Construction costs		<ul style="list-style-type: none"> BCIS sourced New build student accommodation (lower quartile) - £124 per sq ft Contingency - 5% Demolition - Estimate based on known floorspace quantum and type on site
Other cost assumptions	Land & Acquisition	<ul style="list-style-type: none"> SDLT @ Post March 2016 budget graduated rate Agent fee – 1% of residual land cost Legal fee – 0.5% of residual land cost
	Professional fees	<ul style="list-style-type: none"> 10% of construction costs

	Marketing, Letting & Disposal of units	<ul style="list-style-type: none">• Letting agent fee – 7.5% of achieved rent• Letting legal fee – 0.5% of achieved rent• Sales, legal & marketing – 1.75% of investment value
Profit		<ul style="list-style-type: none">• 17.5% on GDV (21.2% on cost)