

# **For: Elmbridge Borough Council**

## **Viability Review Update #2**

**Sandown Park Racecourse**  
**Portsmouth Road**  
**Esher**  
**KT10 9AJ**

Summary at 24 June 2019  
DSP19029KO (F1)

**Dixon Searle Partnership**

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**DixonSearle**  
Partnership



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1. Update of viability review incorporating  
information/discussion since 10 Jun 2019





## 1. Viability Update #2

- 1.1.1 The original DSP review in April 2019, incorporating a cost plan review by Martin Warren Quantity Surveyors (MWA) which assessed the submitted cost of the racecourse improvements, concluded that a scheme with 30%+ affordable housing showed a surplus of £2.5m after the cost of racecourse works had been taken into account.
- 1.1.2 A meeting between DSP, MWA, the applicant and their agents was held at Sandown Park Racecourse 7 June 2019 to discuss the estimated cost of works to improve the racecourse.
- 1.1.3 MWA subsequently amended their assessment of their cost plan, having taken consideration of the applicant's representations and the information provided with the planning application, resulting in an increase of circa £2,085,000 to the agreed cost of works.
- 1.1.4 There was then further follow-up work by MWA including a further review of the cost plan, taking into account further discussion and new information on cost of fitting out/refurbishing the Grandstand (received from Leslie Clark on 13 June 2019) – plus follow-up work from DSP applying these new figures to our viability assessments. MWA's review of the new information resulted in a revision to DSP's position, moving closer to the applicant's position, however we are still £2 million apart overall. The viability results are summarised in the following table:

Revised appraisals - results

Using MWA updated figures inc. Grandstand costs and compromise position regarding prelims as discussed with Leslie Clark 24.06.2019

Scenario	DSP RLV	MWA revised works cost	Surplus/deficit	Viable/Not Viable
100% Private	£ 49,097,054	£ 35,792,504	£ 13,304,550	Viable
10% Affordable	£ 43,398,975	£ 35,792,504	£ 7,606,471	Viable
15% Affordable	£ 39,448,348	£ 35,792,504	£ 3,655,844	Viable
20% Affordable	£ 37,153,296	£ 35,792,504	£ 1,360,792	Viable
30% Affordable	£ 32,424,257	£ 35,792,504	-£ 3,368,247	Not Viable
50% Affordable	£ 21,176,420	£ 35,792,504	-£ 14,616,084	Not Viable

- 1.1.5 Based on the scheme as proposed, and if we are to take the view that the scheme must facilitate these racecourse improvements, it is clear that somewhere between 20% and 30% affordable housing will be viable to provide on site (with appropriate

review mechanisms to deal with any improvement in the viability position as time goes on). The results in the table above are based on the applicant's suggested housing mixes. An alternative mix could be put forward which would result in a surplus close to zero, thereby indicating a more precise percentage of affordable housing, however this would involve decisions about the location/type/tenure of units which might not align with the developer's intended distribution of affordable housing between the different sites/blocks which will affect the accuracy of the results, so at this stage we have used only the provided housing mixes.

1.1.6 Looked at from a different perspective, if the applicant were to go ahead with their proposed scheme with 15% affordable housing, the scheme would show a surplus of £3.66 million.

1.1.7 We have also been asked to consider the impact of removing ground rents from the appraisal, on the basis of government policy which if implemented as proposed would mean that ground rents cannot be charged on some or all of the flats by the time they are completed. The table below shows the results without ground rental income included in the development value.

Using MWA updated figures inc. Grandstand costs and compromise position regarding prelims as discussed with Leslie Clark

Revised appraisals - results

24.06.2019 Ground rents not included in GDV.

Scenario	DSP RLV	MWA revised works cost	Surplus/deficit	Viable/Not Viable
15% Affordable	£ 37,880,674	£ 35,792,504	£ 2,088,170	Viable
20% Affordable	£ 35,569,765	£ 35,792,504	-£ 222,739	Not Viable
30% Affordable	£ 30,829,929	£ 35,792,504	-£ 4,962,575	Not Viable

1.1.8 The results without ground rental income and with 20% affordable housing on site indicate a small deficit of £222,739 (less than 0.15% of the development value). Therefore, we consider that in this scenario 20% affordable housing can viably be provided on site.

1.1.9 At the current date, ground rents are chargeable, and we recommend that if the Council chooses to exclude ground rents from the development value and seek 20% affordable housing, a mechanism be put in place requiring a financial contribution to the value of the ground rents should they still be chargeable when the units are sold.

Update report (#2) ends

24 June 2019

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