

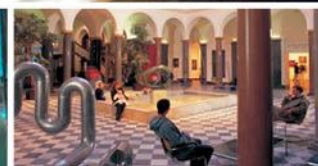


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# Enabling the Delivery of Affordable Housing

FACTA, NŌN VERBA

SIP New Build Housing - Paul Genoe



# Overview



- **Strategic Infrastructure Plan (SIP) Background**
- **Context - The Challenge**
- **Methodology**
- **Delivery & Process**
- **Current Status**
- **Outturns**
- **2017 and Beyond**

# SIP Background



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- **Engagement with public and private sector organisations**
- **Housing is not affordable to large percentage of the population**
- **Local economy is still performing well**
- **Increasing population and number of households**
- **Supply is not keeping pace with increased demand**
- **Low levels of new affordable housing being built**
- **Requirement for a step change in the supply of housing**

<http://committees.aberdeencity.gov.uk/documents/s33119/Strategic%20Infrastructure%20Plan.pdf>

# Context - “The Challenge”

To start building 1000 houses before May 2017

## Resources and Constraints

- **Council land availability (resource)**
- **Council land availability but no consents (constraint)**
- **Limited staff experience (constraint)**
- **No money to fund affordable housing at the required scale (constraint)**
- **To ensure that this project does not take up existing housing grant for projects within the Council’s Strategic Housing Investment Plan (SHIP) (constraint)**

# Methodology

- **Determine Project Objectives**
- **Rank of Project Objectives**
- **Options Appraisal for delivery vehicle**
- **Determine Preferred Option (to satisfy objectives)**
- **Soft Market Testing**



- **Project Objectives**
  1. **Speed of delivery of affordable housing**
  2. **Maximisation of Private Funding availability for affordable housing**
  3. **Minimise risk to the Council (depth of market, revenue, cost etc.)**
  4. **Harnessing development expertise and standard house type design**
  5. **Maximisation of private development land value and share of private development profits**
  6. **Minimisation of construction and development costs**
  7. **Creation of an opportunity that is attractive to the market in terms of scale and return**
  8. **Influence housing mix and development outturns**
- **Rank of Project Objectives**



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- **Options Appraisal**

Considered 11 delivery options

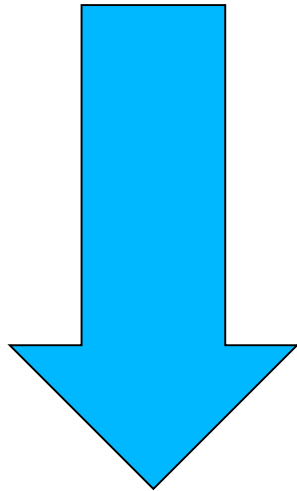
- **Preferred Option: The formation of a Limited Liability Partnership (LLP)**

- Delivery of Affordable Housing, with long term ownership of the asset base
- Development of Private Development and 50% share of profit
- Return of land value to the Council at market value
- Pre-tax profit distribution

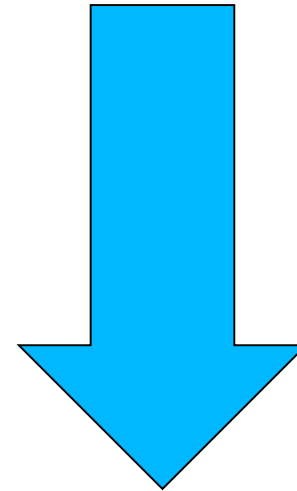
- **Soft Market Testing**

# Delivery and Process: Twin Tracked Process

**Tender**



**Due Diligence**



**The Critical Path for Delivery of the Affordable Housing is  
the Due Diligence Process and not the Tender Process**



# **Delivery and Process:**

## **Tender – OJEU Process**

### **Competitive Dialogue procurement route**

- **More intensive process for complex contracts**
- **Assists authority in ensuring that proposals meet the Council's requirements**
- **For large projects this route typically exceeds 2 years**
- **Aberdeen Western Peripheral Route (AWPR) a particularly complex procurement process following competitive dialogue took 23 months**
- **This project took 13 months**
- **Site L.V. 33.5%/66.5% price/quality**

# Delivery and Process:

## Target Client Group

1. Council tenants
2. RSL tenants
3. Key workers on modest incomes
4. People on the open market based on affordability criteria

# Delivery and Process:

## Due Diligence

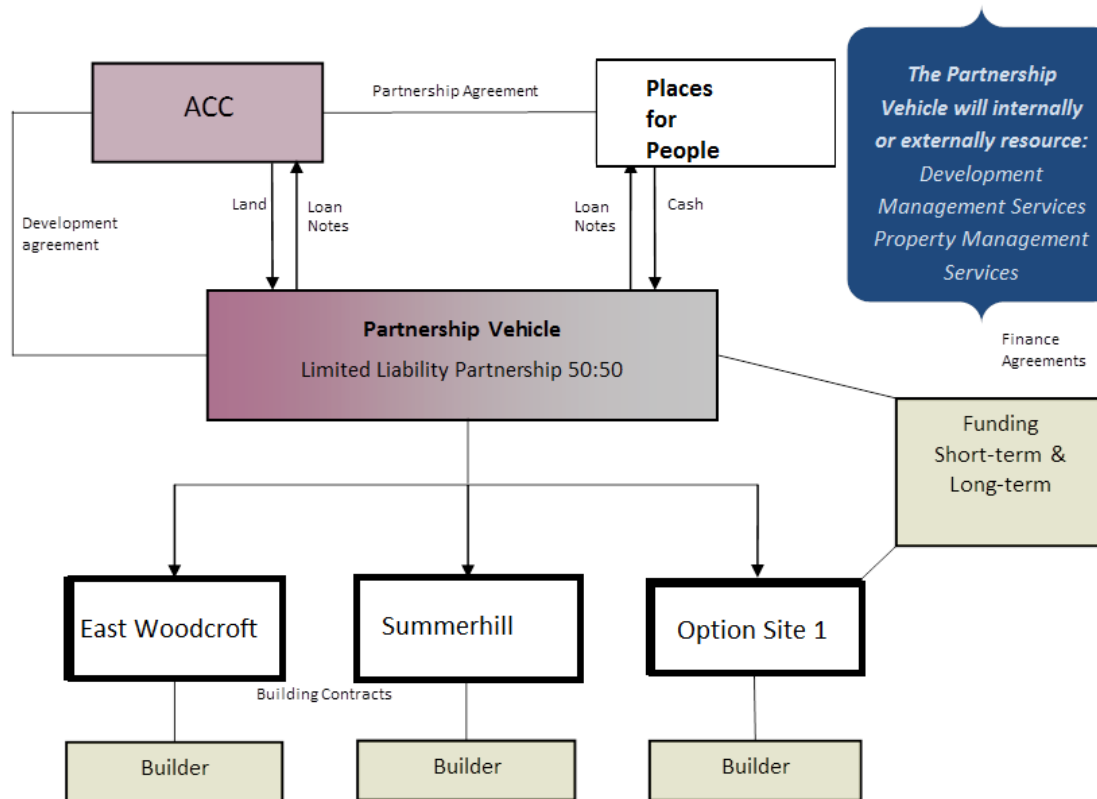
- **Test the theory (Site)**
- **Delivery team formation**
- **Title report on each site**
- **Desktop study of each site**
- **Market research of each site**
- **Mix and capacity of each site**
- **Site investigations**
- **Consultation and planning applications**

# Current Status

## • 50/50 LLP membership structure



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## **Current Status (contd.)**

- **Formalised our partnership with Places for People through the signing of a Legal Partnership Agreement**
- **Incorporation of the Shaping Aberdeen Housing LLP at Companies Home on 21<sup>st</sup> March 2016**
- **Purification of three development agreements**
- **Held our first Board Meeting on 28<sup>th</sup> June 2016 and have a draft business plan prepared**
- **Start site spring 2017**



# Outturns

- **Speed of delivery of affordable housing**
- **Market land value received by the Council from the sale of the land to the LLP**
- **Delivery of affordable housing where there is no reliance on public funding and the supply is in addition to the normal grant supply housing through the SHIP**
- **50% ownership of properties and the accruing rental asset and 50% share of development profit**
- **Formation of a LLP where there is pre-tax profit distribution**
- **Private finance for rental units levered in based upon 30 year business plan**
- **Ability to sell the rental asset to investor or retain the rental asset for the longer term**
- **Flexibility to respond to changing need and demand**
- **Private financing for private development via vanilla financing**

The original objectives are being met by the outturns and structure

# 2017 and Beyond



- **Delivery of mixed tenure housing on Council land and future non-Council land**
- **Mix of affordable and private development**
- **Creation of new places contributing towards economic viability of the City**
- **Vehicle for delivery of significant numbers of new homes and in particular new affordable homes**
- **Ability for the Council and its partner to ‘sell’ the rental stream to investors or for the Council to sell its interest and capitalise on a substantial financial return**