



**CAMBRIDGESHIRE
& PETERBOROUGH**
COMBINED AUTHORITY

CAMBRIDGESHIRE AND PETERBOROUGH COMBINED AUTHORITY BOARD	AGENDA ITEM No: 6.1 Appendix 3
28 November 2018	Commercial Overview REPORT

1.0 PURPOSE

- 1.1. To seek approval from the board for the provision of a 2 year commercial loan facility capped at £24.4m to the East Cambs Trading Company (ECTC) to purchase the MOD site in Ely currently comprising 88 empty houses and land.
- 1.2. The loan will be used to acquire the units and complete a rolling refurbishment programme, including the division of 4 units into 2 parts, creating an additional 4 units to result in the scheme comprising 92 units.
- 1.3. The units have been unoccupied for a number of years, through this transaction they will rapidly be returned to the market for the benefit of local families.
- 1.4. Through providing the loan, we have negotiated to enable 15 of the units to become affordable units without any grant being required. The delivery of the affordable housing is uniquely within the Combined Authorities control. Without this intervention, any other purchaser will be under no obligation to provide any affordable housing.
- 1.5. To investigate options to enable the CPCA to enter into a potential future joint venture with ECTC to develop undeveloped infill land within the site being purchased, for potentially a further 62 homes (with a no less than ECDC policy compliant affordable housing provision).

2.0 BACKGROUND & THE SITE

2.1. The site is located in Ely and is currently owned by the MOD. The Units have been unoccupied for many years and were previously used by US air force personnel.

2.2. The units will be subject to refurbishment works that will entail:

Proposed Works (All units)

1. Strip-out 'wet' areas (kitchens; bathrooms; en-suites)
2. Additional bedrooms, where appropriate
3. Replace Kitchen and appliances
4. Replace floor coverings as appropriate
5. Replace bathrooms and en-suites
6. Replace garden fencing as appropriate
7. Additional parking allocation where possible (off-road)

Proposed Works (No. 5-8 Simeon Close)

As above but convert 4 x 3bed houses to form 4 x 1bed and 4 x 2bed maisonettes for shared ownership.

Certification (All units)

1. Gas safety certificates
2. EPC
3. Electrical certificates

2.3. The site currently presents the units in an open landscaped setting, with lots of green space in between and a substantial central green open space area. Without encroaching significantly into the central open space area and by potentially 'infilling' into the various under developed corners of the estate, there is potential for a further 62 residential units to be developed from within the site, with the additional affordable housing that this will bring.

3.0 COMMERCIAL OVERVIEW

3.1. The existing housing units are quite large and generous, with large room sizes when compared to modern new build properties currently being completed in the area.

3.2. The fact that the units are already constructed helps to reduce the risks around this acquisition as the only 'construction risk' is in the refurbishment and re-decoration of the units. This will enable a quick turnaround and speed to market. Hence loan repayments and return of the capital should start in late summer/autumn 2019, to be available to be re-invested into new schemes elsewhere, please see the provisional schedule below:

ELY (MOD) Site

CPCA Loan - Provisional Schedule				
Month	Date	Drawdown	Repayment	Loan Balance
1	Apr-19	-£23,513,609		-£23,513,609
2	May-19	-£216,719		-£23,730,328
3	Jun-19	-£216,719		-£23,947,047
4	Jul-19	-£197,719		-£24,144,766
5	Aug-19	-£197,719		-£24,342,485
6	Sep-19		£472,362	-£23,870,123
7	Oct-19		£472,362	-£23,397,761
8	Nov-19		£791,001	-£22,606,760
9	Dec-19		£1,067,468	-£21,539,292
10	Jan-20		£1,067,468	-£20,471,824
11	Feb-20		£1,067,468	-£19,404,356
12	Mar-20		£1,264,274	-£18,140,082
13	Apr-20		£1,303,409	-£16,836,673

14	May-20		£1,940,688	-£14,895,985
15	Jun-20		£1,622,048	-£13,273,937
16	Jul-20		£4,503,126	-£8,770,811
17	Aug-20		£2,300,765	-£6,470,046
18	Sep-20		£2,103,957	-£4,366,089
19	Oct-20		£2,619,405	-£1,746,684
20	Nov-20		£1,746,684	£0

- 3.3. 15 affordable housing units will be provided to the local community lands trust without any requirement for grant funding support.
- 3.4. The remaining units will be sold back to the Market within 2 years, repaying the loan with interest at 2.61% pa.
- 3.5. The loan will be secured against a charge on the land that includes the 88 existing houses.
- 3.6. In addition to the re-payment of the interest, CPCA will share 50% of the profit from the scheme up to a maximum total profit sum of £1.5m. In the event of any profit in excess of £1.5m, CPCA will receive 30% of any additional profit achieved. The current development appraisal in Appendix 2 projects a profit of £1,517,000 of which the combined authority is projected to receive £758,000.