

Response to Invitation to Participate in a Mini Competition
To be completed and submitted by Panel consultant

Panel Name: Property Panel OJEU REF 2013/S 235-408288

Project Name: Private Rented Sector Negotiated Disposal (Telford)
Date: 07.12.16

Reference Number: <\\hca.local\sfs\PROJ 37\SHROPS 37.34\SITES 37.34.2>

To: [REDACTED]

From:
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Proposal (suggested up to 1 x A4 page)

Our Approach to the Commission

We have considered how the commission can best be undertaken having regard to the two stages identified and outline our approach as follows:

STAGE 1 – Independent valuation advice

At the inception meeting we would seek to agree the approach to the valuation and any Special Assumptions which need to be made. In this respect, the basis of valuation will be Market Value (MV) as defined within the RICS 'Red Book'. However, it is recognized that the MV may reflect an alternative residential scheme, such as traditional housing development, rather than the PRS basis on which the transaction is to be based.

We are familiar with both sites, having last reported values on them as at March 2016 as part of the annual valuation exercise. In this respect, the MV related to their development for traditional housing with a majority private sale owner occupier element. As such, we anticipate having to consider both a PRS and traditional housing scheme.

Special Assumptions are likely to be required in respect of planning, form and mix of development and potential development costs, including potential abnormals.

The valuations would be informed by a thorough review/assessment of all background due diligence made available.

We would provide an initial draft report for discussion which would cover both properties.

STAGE 2 – Negotiated sale

It is noted that Lovells have been appointed by TWC to undertake initial viability work on behalf of TWC. Given that both HCA and TWC have the same objectives and accept that any transfer is to occur at MV, we would propose that Lovells viability analysis is reviewed by GVA on an open book basis. This will help with time scales and help ensure a more consistent approach.

We anticipate holding an initial meeting with personnel from Lovells to consider their viability analysis of the proposed PRS scheme together with our own valuation approach. This should enable any differences to be identified which can be the focus for discussions moving forwards. Depending on the progress made by Lovells, this could occur during the Stage 1 work.

Given the TWC will also be commissioning further due diligence to support the negotiations and planning application an open book approach also seems appropriate in respect of the consideration of the findings of the due diligence. At this stage, and as may be appropriate, we would seek input from additional in-house specialists to review the findings of the investigations any abnormal costs assumptions made by Lovell.

The outcome of the Stage 2 negotiations would be to agree Heads of Terms with TWC which would be issued to solicitors. We would continue to liaise with HCA personnel and solicitors as the 'legals' progress.

[REDACTED]

Telford Experience

The Birmingham Land and Development team have considerable experience of working in and around Telford. Both Andrew Moss and Rachel Hill who would handle this commission have been involved with residential development in and around Telford for as long as they have worked at GVA, being circa 19 and 9 years respectively. Examples of commissions undertaken include:

- The provision of valuation advice in respect of numerous HCA land interests in Telford (including the two subject sites) as part of the HCA annual asset valuation exercise. This includes the most recent 31st March 2016 valuations.
- The successful open market disposal of the former Beeches Hospital site at Ironbridge which

completed in 2016. This included the sale of a Grade II Listed former hospital and a greenfield site with new build enabling development.

- The successful sale of sites B1 and B3 Apley to Kier Homes. This sale was handled via the Birmingham Land and Development team with the site being sold via the DPP2.
- The successful sale of four separate sites owned by the HCA in Telford as part of the Accelerated Land Delivery Programme.
- Significant previous involvement with the sale and valuation of land and the provision of consultancy advice in respect of Lightmoor Village in Telford.
- The successful sale of two adjoining sites in Shifnal in December 2014 and January 2015 with combined planning approval for 440 dwellings. The sites were offered on the open market with sales completing to Bellway Homes and Taylor Wimpey Homes.

Agent commentary on the brief

The Brief is clear in identifying the two stages to the commission. In this respect, we believe that the approach to the stage 1 valuations is key to the success of a negotiated sale of the two assets. The key is the potential variation in the sites values for traditional PRS development, compared to Traditional housing development with a mix of private and affordable tenures. In this respect, Telford is not a recognized PRS market in the context of new build schemes coming forwards specifically for wholesale PRS, other than developments already undertaken by Nuplace. This reflects the viability of PRS within Telford having regard to potential revenue streams, development cost and the required levels of investor returns.

Consideration does therefore potentially need to be given to the additional value secured by the two public bodies working together in keeping with the main objectives of the Land Deal.

However, the land market in Telford for traditional housing development is also currently challenging, given the quantum of land supply within the town and a general lack of demand.

We do therefore believe that an open book approach to the assessment of PRS is important.

We believe that the timeframes identified for securing planning approval on the sites by June 2017 are tight. It will therefore be for the HCA and TWC to drive the initiative to ensure that appropriate milestones are achieved.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Management arrangements

The commission will be managed by [REDACTED] is an experienced Director working as a specialist development surveyor and registered valuer within the residential sector. [REDACTED] acts as lead Director for a number of national instructions. This includes his role as Agency lead within the Region for HCA, MoD and MoJ (custodial). [REDACTED] is also the national lead for a number of clients including Guide Dogs for the Blind Association and Wolseley UK. As an experienced Director [REDACTED] manages instructions from inception to completion and is involved throughout the development process. This includes the management of multidisciplinary teams both in-house within GVA and externally, including independent firms of consultants and other professionals.

[REDACTED] would be responsible for reporting directly to HCA personnel. Given his direct 'hands-on' role throughout the instruction this would ensure a complete understanding of the project and any associated activities and issues.

At the initial inception meeting a reporting programme and format would be agreed directly with HCA and put in place. It is envisaged that the activities on the instruction will require regular contact with HCA personnel throughout the project. However, as a minimum we would anticipate a weekly telephone call between Andrew and the HCA lead. Further, we would anticipate a face to face monthly project meeting to take place at either GVA's or HCA's offices.

A timeline of key milestones and objectives would be agreed and put in place at the inception meeting. This would be monitored and reviewed at the project meetings, with KPI's being put in place as considered necessary.

The ITT issued by HCA identifies a clear structure to the project with related activities and milestones to be undertaken and achieved between the anticipated appointment of the Agent on 22nd December 2016 and the anticipated approval to Final Conditions, Land Value and Planning Consent being secured in June 2017. Key milestones will therefore be apartment from the start of the commission.

Timescale

From the ITT the following key dates have been identified:

STAGE 1:

- Appointment of successful valuer/agent – 22nd December 2016
- Inception meeting 5th, 10th or 12th January 2017
- Preparation of pre-sale valuation report by 23rd January 2017

We are satisfied that the above deadlines are achievable providing all background information is made available by the 5th January 2017. It is envisaged that the pre-sale report will initially be provided in draft format by the 23rd January 2017 (or earlier if possible).

STAGE 2:

- TWC internal approvals to progress disposal with the HCA by end of January 2017
- TWC commissions technical reports to de-risk the site for negotiated disposal.
- TWC Cabinet & Full Council approval to progress negotiations with Nuplace and HCA – February 17 for Cabinet approval and March 2017 for Full Council approval.
- TWC Housing Investment Programme Board – Approval to Final Conditions, Land Value and Planning Consent Secured – June 2017

We are satisfied that following the provision of the Valuation advice to the HCA it would be possible to progress negotiations with TWC (Nuplace) in a timely fashion providing the Council has appropriate resource in place. However, the majority of the key milestones within Stage 2 will be outside of the

control of the appointed Agent. In particular, in order for planning approval to be secured by June 2017, an application will need to be submitted by the end of March 2017 at the latest. This effectively leaves 3 months to conclude the negotiations, complete due diligence required to support any application, prepare and submit the application. We believe that this timeframe can therefore be regarded as tight.

Fee Proposal

We are pleased to provide our fee proposal in accordance with the ITT issued as follows:

- Fee for the provision of 'Red Book' compliant independent pre-sale valuations for **each** individual site – [REDACTED] of current Market Value, subject to a minimum fee of [REDACTED]

While it is recognized that the valuation advice is required to support the anticipated sale of the two sites for PRS schemes, the valuations will be based on Market Value (MV). As such, it is anticipated that consideration will need to be given to the value of both sites for traditional housing development as well as PRS. This reflects the requirement that as a public body HCA is required to obtain best consideration in any disposal.

- As the sale of both sites are interrelated, as part of one transaction to a single party (Nuplace Ltd) the agency sale fee will be based on the combined receipt. Based on the existing agency panel rates, the sale fee would be based on the following:
 - 1% between any sale price achieved between £0 - £500,000, subject to a £1,500 minimum fee;
 - 0.6% between an sale price achieved between £500,001 - £1,000,000, subject to a minimum fee of £1,500
 - 0.45% between £1,000,001 and £5,000,000 subject to a minimum fee of £1,500,000
 - 0.23% between £5,000,001 and £10,000,000 subject to a minimum fee of £1,500

- Fee for the provision of a franking valuation for **each** individual site – [REDACTED] of the agreed Market Value, subject to a minimum fee of [REDACTED]

- We propose a capped fee of [REDACTED] for any additional time charge work outside the scope of the disposal fee which would be accounted for in accordance with the hourly charge out panel rates for the different grades of personnel involved, as follows:

	<i>Director</i>	<i>Senior Consultant/Associate</i>	<i>Consultant/Professional</i>	<i>Graduate</i>
<i>Daily Rate</i>	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Any additional work in an agency, valuation or consultancy capacity which is related to the transaction anticipated would be undertaken by [REDACTED] [REDACTED] and [REDACTED] [REDACTED]

However, it is not possible at this stage to identify all additional GVA personnel who might be required to provide input. For example, input may be required from our in-house Building Consultancy, Planning and Environmental teams. In this respect, an appropriate level of personnel will be identified depending on the additional work required and the resource available. However, we confirm that in all instances the most cost effective resource available will be identified.