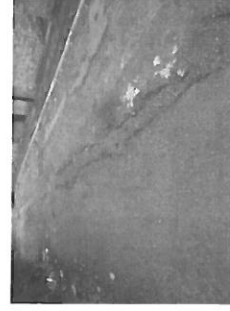




SUNDERLAND CITY COUNCIL

Maudlin Street Neighbourhood Renewal Assessment

Volume 1 | Report



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To summarise, these options are as follows:

- Option 1** Do nothing
- Option 2** Retention of the properties with carrying out of essential repairs & other repairs/renewals as they fall due
- Option 3** Retention and refurbishment of all 28 houses to give a nominal 30 year life
- Option 4** Demolition of all 28 houses with redevelopment of the cleared site

The option appraisal has incorporated net present value (NPV) analysis and cost-benefit analysis.

NPV Analysis

The NPV of an option gives the cash flow projections based on costs and quantifiable benefits as identified in the option development process.

The costs relate to the items of expenditure attached to delivery of the option such as repair costs, works to improve the environment, demolition and property owner compensation. The benefits include items such as

increases in land or property values as a result of the works and expenditure.

NPV calculations are provided in spreadsheet format in Appendix 4.1 and take into account the relevant costs involved in the developed option. (e.g. demolition and redevelopment costs) which are then netted off the relevant costed benefits (e.g. increase in property values).

The key assumptions used in the NPV analysis are as follows:

Option 1

- Essential repair costs to 16 properties to include remedy of Category 1 hazards (total cost £80,000)
- No increase in market values
- No reduction in management costs

Option 2

- Essential repair costs and other repairs/renewal costs at an average of £14,000 per property (total cost £392,000)
- Road adoption costs £250,000
- Total increase in market values £140,000
- Low reduction in management costs

<p>Option 3</p> <ul style="list-style-type: none"> • Refurbishment of each of the 28 properties with an average cost of £32,000 per property (total costs) • Road adoption costs £250,000 plus £40,000 for front road/path • Total increase in market values £280,000 • Moderate reduction in management costs <p>Option 4</p> <ul style="list-style-type: none"> • Acquisition of the 23 houses currently not owned by the Council at an average acquisition cost of £50,000 (a total of £1,150,000) • Total home loss, disturbance and other payments to home owners/tenants of £562,428 • Demolition costs of £112,000 • A notional 24 new properties to be constructed on the site with development costs of £1,824,000 • Increased property values of £1,752,000 • Significant reduction in management costs 	<p>Option 2</p> <p>Retention of the properties with carrying out of essential repairs & other repairs/renewals as they fall due</p> <p>- £1,803,369</p> <p>Option 3</p> <p>Retention and refurbishment of all 28 houses to give a nominal 30 year life</p> <p>+ £80,590</p> <p>Option 4 -</p> <p>Demolition of all 28 houses with redevelopment of the cleared site</p> <p>- £105,677</p>
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Risk Assessment of the NPV Data

In line with the guidance, ConsultCIH has looked at how the risks that some inputs into the NPV calculation process may turn out differently to that assumed. Each of the inputs into the calculation process has been adjusted by +/- 10% to see which of the variables has the biggest impact on the NPV produced. Naturally, the bigger the sum, the bigger the change to the NPV if the input value changes. Thus, the NPV's calculations are more sensitive to changes in the following inputs:

NPV Summary

<p>Option 1</p> <p>- £1,555,552</p>	<p>Do nothing</p> <ul style="list-style-type: none"> - Property acquisition costs - The cost of capital works - Property valuations
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