



# Business Modelling and Project Financial Appraisal – Profile

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**redloft**

# About Red Loft



Red Loft are a multi-disciplinary consultancy experienced in all aspects of development, specialising in affordable housing. We provide a range of services including land sourcing and acquiring sites for clients. Throughout the planning process we manage the work of architects and other specialist consultants, prepare and submit planning applications and secure planning consents. We also project manage schemes on site through to practical completion and make good defects.

In addition, we provide specialist financial appraisal modelling, economic viability assessments as well as sales and marketing services for shared ownership, private sale and private rented homes.

Red Loft Land have in-depth experience in financial modelling and have appraised a variety of development schemes ranging from a GDV of £1 million to £2 billion. We use our extensive knowledge of the affordable housing sector, political process and sensitivity, and experience in practice to best advise our clients on project direction. We also maintain an insightful knowledge of the private development market driven by our in-depth commercial awareness. We work for an array of clients including Registered Providers, Local Authorities and private developers, for example, Peabody, Notting Hill Genesis, Network, Meadow Residential, MacKenzie Homes, Wates Residential, Harrow Council, Adur & Worthing Council and Tower Hamlets Council.



# Case Studies

## Royal Borough of Kingston upon Thames

### Key Facts

**Client:**

Kingston Upon Thames

**Borough:**

Kingston Upon Thames

**Scheme Description:**

Development Management, Project Management, Options Appraisal

**Red Loft's Role**

Red Loft has undertaken a number of roles working directly for the Council including:

**Guildhall Town Centre Options Appraisal:** reviewing the viability risk and return associated with different approaches to redeveloping a mixed-use centre in the heart of Kingston including residential, retail and leisure use. Our work included financial modelling associated with different density options plus the strategic evaluation of different delivery routes from direct development through to Joint Ventures. Our report appraised the associated returns with reference to the Council's risk appetite and wider financial objectives.

**Programme Management – Kingston Small Sites**

**programme:** Red Loft have been embedded within Kingston's development team working to deliver the first directly built council homes in Kingston in a generation. This programme of four sites will provide 101 new homes for London Affordable Rent and will assist the decant programme linked to the wider regeneration of the Cambridge Road estate. Red Loft have overseen the financial modelling of the projects, managed the professional team, led contract negotiations, and secured a Start on Site in July 2021 in line with the programme. The four schemes are all expected to be complete by 2024.



Cocks Crescent, New Malden: Red Loft has been working with the Kingston team to make key inputs into the business case for the Cocks Crescent site in New Malden town centre. The site has potential for significant apartment-based development (300+), plus commercial and leisure uses. The Red Loft team have been providing viability advice and again assessing different delivery routes on terms of risk and return and the wider fit with Kingston's risk appetite.

Commercial Advisor, Acre Road: Red Loft has worked with the Council to explore the redevelopment of Council land in Acre Road. The brief for the new build development may include the latest technological advances to provide a low cost, environmentally sustainable, ease of use environment for potential tenants.

### Added Value

Each of the above roles has given Red Loft the opportunity to provide added value outcomes through our consultancy role. Those outcomes have varied from utilisation of our financial and development expertise to provide trusted advice about scheme outcomes and delivery routes through to programme management expertise to ensure that significant regeneration schemes such as Cambridge Road Estate remain on track.



*"Like many local authorities we are rebuilding our development capacity and Red Loft's expertise has enabled us to get in contract and on site quickly and efficiently. With their support we have already reached a major milestone with work beginning at the end of July on the first site and others to follow shortly. In addition key strategic advice has been provided on some major development opportunities including the town centre"*

**Robin Oliver - New Homes and Housing Delivery Lead at Kingston Council**



## Eric Estate LB Tower Hamlets

### Key Facts

#### Client:

Eastend Homes

#### Borough:

LB Tower Hamlets

#### Scheme Description:

A Joint Venture between Eastend Homes and the developer Gracewood Group comprising 142 homes, 121 of which are to be affordable housing, through roof top extensions, and infill opportunities

#### Red Loft's Role

##### Financial Viability and Affordable Housing Consultancy

– On behalf of Eastend Homes, Red Loft assessed the financial viability and value of the scheme to Eastend Homes, Gracewood's proposals, and the contract price for Eastend Homes. Red Loft provided advise on scheme delivery, design, and cost options. Due diligence and governance assessments have included meeting lawyers, instructing valuations, advising upon risk mitigation, and ensuring compliance with S119 of the Charities Act.

**GLA Grant Application** - Red Loft led and secured £4.62 million GLA grant to assist in the delivery of the affordable housing at the scheme.

### Added Value

Since 2016 Red Loft have worked on this redevelopment opportunity at the Eric Estate in Mile End, LB Tower Hamlets. Supporting and ensuring the land owner Eastend Homes Housing Association derives best value from the Joint Venture developer Gracewood Group. The development comprises of 142 homes, 121 of which are to be affordable housing, through roof top extensions, and infill opportunities.



Our role has been to assess the value of the scheme to Eastend Homes, Gracewood's proposals, and the contract price for Eastend Homes. We have provided advise on scheme delivery, design, and costs options. Due diligence and governance assessments have included meeting lawyers, instructing valuations, advising upon risk mitigation, and ensuring compliance with S119 of the Charities Act. We have also led and secured £4.62M GLA grant application to assist in the delivery of the affordable housing at the scheme.

Through Red Loft's involvement and negotiation on behalf of the client, the appropriate offer price has been maintained, the deliverability of the scheme enhanced, and mechanisms within the contract secured to ensure Eastend Homes position is best protected.

Since January 2020 Red Loft have been project managing the scheme's delivery.



*"We have been pleased with Red Loft's diligent and insightful support of our development proposals at the Eric Estate with Gracewood Group. Red Loft have undertaken assignments proactively and constructively assisted in scheme delivery and at all times provided professional and personable advice in a timely manner."*

**Steve Inkpen - Special Projects Director Eastend Homes**



*"LB Tower Hamlets appointed Red Loft to support our regeneration proposals at Harriott, Apsley, and Patterson Houses (Clichy Estate), in Stepney. To prepare and lead the viability assessment and support our business modelling and delivery options for the 412 home (also including mosque and community centre) project. We are impressed and welcome Red Loft's intelligent and collaborative approach which has aided risk and opportunity identification for the development partner selection. Their responsive nature, deep understanding of the complexity and challenges to estate regeneration work has proved invaluable to progressing both the viability assessment, and complementing our procurement strategy for the scheme. They have been an absolute pleasure to work with throughout."*

**James Walsh – LB Tower Hamlets – Place Directorate**

## Grange Farm, Harrow Council

### Key Facts

#### Client:

Harrow Council

#### Borough:

London Borough of Harrow

#### Scheme Description:

Comprehensive redevelopment of the Grange Farm Estate in South Harrow, comprising 549 units across three phases. The existing estate comprises 282 resi-form prefabricated dwellings, mainly for social rent, which have come to the end of their life. The first phase of 89 affordable homes is underway, with the remainder to be built over a 5-year programme.

#### Red Loft's Role

##### Financial Viability and Affordable Housing Consultancy –

On behalf of London Borough of Harrow, Red Loft's financial viability team concluded negotiations with the LPA appointed consultant, along with the GLA, and agreed the affordable housing and planning gain package for the site.

**Development Management** – Red Loft have provided client side project management for LB Harrow. This has included:

- Negotiating and leading on the purchase of leaseholder interests
- Extensive financial viability modelling of options, review of scheme design and phasing with the team and stakeholders
- Leading the professional team during the planning and procurement stages
- Project management during construction – the first phase is due for completion in 2023.

**Bid writing** – Red Loft led the successful bid for Housing Infrastructure Fund subsidy, ensuring project viability.



### Added Value

Red Loft navigated a complex land assembly and viability assessment, securing a deliverable planning consent and implementable S106 agreement for this estate regeneration scheme. Red Loft successfully negotiated £25.8m affordable housing subsidy and £10m additional HIF funding



*“Red Loft conducted a detailed and multi-layered viability assessment of the regeneration proposals at Grange Farm Estate, South Harrow, to support the Council's planning application to redevelop the estate of c280 existing social homes into a mixed tenure estate totalling 574 homes. The conclusions drawn were robustly evidenced, and followed extensive and pragmatic dialogue with a range of other consultants as well as departments within the Council in relation to the site specific elements of tenant decant, multi-faceted site assembly and re-provision of community facilities on site. Red Loft's understanding of this highly complex and challenging scheme was nuanced and commendable, and contributed towards achieving Stage 2 planning sign-off from the GLA with an overall level of 48% affordable housing provision as well as supporting the successful allocation of subsidy to support the scheme including Homes England Housing Infrastructure Fund”*

**Alison Pegg, Head of Housing Regeneration - Harrow Council**

# Red Loft Methodology

**Red Loft has a clear understanding of local government finance regulations and requirements.**

The need and logic for a consistent decision-making model is simple: by having an agreed, standardised approach followed by all, then better, more uniform results are likely. Red Loft are a specialist development and regeneration consultancy providing business modelling, financial viability, options appraisals along with risk matrix and goal setting. We have worked with many developing local authorities in and around London including Hounslow, Tower Hamlets, RB Kingston upon Thames, Lambeth, Hackney, Hillingdon, Westminster, Braintree and Harrow.

Delivering 'best value' is not just about providing the cheapest solution; it is about finding the optimum balance between all the key requirements of the Client and Stakeholders and this is particularly the case on strategic redevelopment projects. Delivering the project within budget is hugely important, but other factors such as meeting programme obligations,



delivering community assets, design standards and quality benchmarks must also be considered as well as impact assessments on the stakeholders such as local residents, businesses and community groups and other Council departments.

Best Value is achieved through the most successful balance of all of the requirements. Red Loft are professional enablers of development, we focus on financial viability and economic performance. We regularly undertake financial option appraisals to ensure viability. We are also experts at Financial Viability Assessments supporting the negotiation of S106

agreements. All these skills feed into the assessment of the financial viability of a project and we have strong experience of working with LAs, RPs and developers and feeding into complex residential led development appraisals.

Our experienced consultants are skilled in using financial appraisal models including ARGUS developer as well as discounted cashflow models such as Optimix, Podplan, Pamwin and Proval. Our consultants are development professionals, rather than land economists, we will consider all the different factors when recommending the best options for you.

Through an iterative process financial models are developed, with the inputs tested first, values scrutinised, assessment of the mix of housing and commercial or recreational space and subsequent manipulation of options to maximise value. Build costs are also assessed together with phasing, tendering process, revenue impacts and construction efficiencies for delivery. We will look to maximise outputs and minimise inputs for the Council. Phasing and the reduction of interest payments on large scale multi phased projects is often a key component on the viability of a project. Access to grant funding options to enable the schemes are explored.

For more information  
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