

Letter in support for a new garden village development of 1400 units at Milton Heights, South Oxfordshire

Brightwell Solutions Limited (“Brightwell”) has been granted exclusivity by the Hartwright Family to advise them concerning the development of parts of their land located at Milton Heights and extending to some 170 acres, and concerning the financing of such development .

Brightwell is a project finance consultancy which has developed a unique business and funding model based on the placement of long-dated bonds to enable large scale residential developments to have full project funding at the outset: a proposition which is very different to the traditional model of phased investment and delivery on ‘normal’ debt funded development. The model is not normally reliant on grant funding and this is, on presently available information, true in respect of Milton Heights.

Brightwell’s model is driven by the provision in any project of a sufficient proportion of rental units out of the overall development as a mixture of affordable and market rent homes indistinguishable from each other, whether from a stylistic or build quality viewpoint, spread across the development in manageable groups of 20 to 30 houses.

The master plan for any project development also identifies separate locations across the development, also in groups of 20 to 30 houses, to be offered on the open market for sale.

The model encompasses the funding for these ‘for sale’ plots to be ‘serviced’, i.e. with all road and services infrastructure provided up to the boundary of each plot and, on any sale of these plots to a developer, part of the conditions of sale will include binding commitments by the developer to deliver houses to an agreed timeframe and to meet the design and sustainability targets set for the overall development. It is envisaged that any Section 106 or CIL obligations will have already been discharged as part of Brightwell’s funding arrangements, making the available ‘for sale’ plots that much more attractive to both developers and house builders.

The funding arrangements typically envisaged by the model are such that the entire infrastructure and all construction cost funding is available on ‘day one’ to enable an immediate and optimally planned start on site.

In practice, this means that the development programme does not need to be rigidly phased, as all of the finance necessary to undertake the full development (including infrastructure costs) is available for draw-down once the enabling planning permission has been granted (rather than, as is the industry standard, being piecemeal and sales dependent). Accordingly, it is envisaged that there will be a significant foreshortening of the customary development timescale for the delivery of all of the approved housing.

In the particular case of Milton Heights, in the event that the site was considered appropriate for early development as part of the emerging Local Plan Brightwell is confident that the residential rental element of scheme, some 840 units, will be capable of being fully

completed within 3 years following receipt of the detailed planning approval, the conclusion of any PPA relating to the discharge of conditions and the completion of associated legal agreements.

It is also an integral part of the model that a Registered Provider (“the RP”) is identified from the outset as the prospective rental estate manager, and that the allocation and provision of the proposed rental housing units upon the development are of an appropriate and LPA approved size and tenure split (based upon an up to date assessment of local housing need).

It is envisaged that funding raised through the application of Brightwell’s model will fund 60% of the total residential units proposed for the Milton Heights development as rented houses and apartments. All of these units would be ‘affordable’ with allocations as follows:

- 30% social rent;
- 30% intermediate; and
- 40% private market for rent, with rent levels managed by the RP.

Additionally, at the heart of the model is that funded house construction should achieve or exceed Passivhaus or CSH Code Level 6 energy performance standards. Brightwell is in discussions with a specialist construction company local to Milton Heights concerning the possible development and utilisation of its construction system, using an off-site timber frame fabrication with a hemp and lime inner panel core. Complemented with photovoltaic panels and other sustainable technologies, such a construction solution would comfortably meet Passivhaus standards.

The Hartwright Family will receive an initial payment out of the funds raised for the development to recognise the land value of the rental units and this will be payable on financial close of the fund raising.

The RP will be engaged to manage the rental estate, non-adopted areas, any community buildings and maintenance of the landscape, as well as to organize occupancies and rent collection in return for which it will be paid a management fee, initially out of the proceeds of the fund raising but in due course out of the rental income.

Further long term ‘reserve’ funds are accrued for in the model, to deal with medium and long term property maintenance, and repairs and replacement of fixtures and fittings, as well as providing for managing and enhancing the landscape over the long term.

The land value for the ‘for sale’ plots will be dependent on the market at the time but could realise returns over a relatively short period of 3 to 5 years post ‘start on site’.

It is anticipated that these plots will have no affordable housing requirement and no Section 106 obligations as these will have been dealt with at the commencement of the project on site –thus enhancing their market attraction.

To ensure a continuation of the quality of the design, and of the construction of the overall development, any developer will be obliged to work to the environmental standards and

design brief that Brightwell will assist in developing in conjunction with the Hartwright Family and the Planning Department of the Vale of the White Horse as part of the Planning Approval process.

The wider infrastructure vehicle, pedestrian and cycle access, school and community buildings and the landscape they are situated in, will also be part of the 'upfront' funding to enable the project to be realised. Section 106 financial contributions (to be negotiated with the Vale of the White Horse) will also be covered out of the funds raised.

Brightwell is aware of both the Vale of the White Horse, and Oxford County, Council's concerns regarding the impact of 1400 units on the local traffic infrastructure in and around the Milton area, however it has met with Glanville consultants who have a detailed understanding of the issues involved.

The principle target is to encourage less reliance on cars in the developed estate, and funding is available in the model to provide those measures agreed as appropriate in that regard with both the Councils and the Highways Agency.

Brightwell has a strong commitment to the community benefits and sustainability credentials of all its funded developments and seeks to achieve excellent accreditation with recognised environmental standards such as Building for Life 12. These standards are embodied in Brightwell's sustainability specification for all developments in respect of which it seeks to raise finance.

Based on these criteria Brightwell's aim for Milton Heights is to create a car-free approach to the majority of the development and funding will be available for the appropriate measures and initiatives such as:

- A frequent bus service between the key employment opportunities of Milton Park, Harwell Campus and Didcot;
- Improved pedestrian and cycle links;
- Provision of car clubs or car sharing;
- Inclusion of employment and education opportunities within the site; and
- The provision of low trip generating uses such as live/work units, sheltered housing and an Extracare home.

Having established a reduced reliance on car travel Brightwell would then lead dialogue with the relevant authorities and consultants to establish what major infrastructure improvements could be introduced to underpin the proposal to deliver 1400 units on the development site.

Funding through Brightwell's model ensures large scale delivery of housing and enables considerable funding for infrastructure.

At Milton Heights it is anticipated that provision for infrastructure funding would be in excess of £18,000,000.

Milton Heights is special in the sense that the original allocation is high, it is close to existing infrastructure but more importantly has a huge demand for affordable housing where the LHA rates (which are the default position in assessing the potential long term income of the rental estate) are reasonably generous.

Because the model is based on long term rental income there is a critical mass of units the development needs to achieve in order for Brightwell to be able to procure funding for all the Section 106 infrastructure and construction costs, land payments, whole life, maintenance and repair costs, estate manager/RP fees, coupon and amortization payments etc. Brightwell is not wedded to the 1400 units 'target' other than it creates a substantial infrastructure fund. In contrast 400 units does not quite work for the Brightwell model if the proposed development is (as is anticipated) faced with large infrastructure and Section 106 costs. Clearly somewhere between the two would work, but before Brightwell promotes the project with potential investors it needs to have a clear direction from the Councils as to what allocation is likely to be acceptable taking into consideration those assurances that can be given regarding providing much needed infrastructure to support the development.

Under Brightwell's model, and assuming allocation for a larger number of units than 400 is agreed in principle, the only constraint on the timing of delivery the large numbers of residential units proposed will be the practicality of building houses at the optimum construction programme, and the obligation on private for sale developers to match the delivery programme. Brightwell's approach can deliver a considerable number of new houses in a very short time compared with a typical traditionally debt-funded project.

Brightwell is fully committed to procuring the funding for the delivering of a new sustainable community at Milton Heights to a high level of design quality and environmental standards. The opportunity to deliver a high quality, sustainable and environmentally principled residential development equates exactly with the company's ethos and direction and it is hugely supportive of the project.

Brightwell hopes that the Vale of the White Horse will consider the huge benefits to the wider community that its proposal would bring and work with it, the Hartwright Family and the rest of their project team on securing an allocation of 1400 units for the site.



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Dear Mark

MILTON HEIGHTS STRATEGIC HOUSING SITE TRANSPORT AND HIGHWAY IMPLICATIONS

I write further to our recent meeting regarding the development of land at Milton Heights for residential purposes. The land in question is currently allocated in the draft Vale of White Horse Local Plan 2031 for around 400 new homes, which is a considerable reduction against the 1,400 new homes originally being considered.

Notwithstanding the current draft allocation, working alongside the landowners, we understand that it is your intention to prepare sufficient evidence to present to the forthcoming Local Plan inquiry to try and persuade the inspector that delivery of circa 1,400 is feasible and thus the allocation should be increased accordingly. The inquiry is expected in the spring of 2015.

In the meantime, it is the intention to respond to the Local Plan consultation period supporting allocation of the land for 400 new homes, but at the same time objecting on the grounds that it is considered that a greater quantum of development could be delivered.

In highway terms this is a sensitive location and the local Highway Authority are understandably cautious with regard to additional development, primarily due to the proximity of the Milton Interchange which is approaching capacity and directly impacts upon the A34 which is the responsibility of the Highways Agency. This cautiousness is borne out in the County Council's response to Part 1 of the draft Local Plan, which in relation to the Milton Interchange it states that:

'Although the junction is being improved, there is not enough spare capacity to accommodate the additional trips this development will generate. There is no obvious deliverable scheme to improve the junction further.'

The Milton Interchange is clearly perceived a potential 'bottleneck' to further development at Milton Heights, however as discussed at our meeting, the development of the site on a larger scale provides the opportunity to develop and deliver not only significant highway improvement schemes including at the Milton Interchange, but also alternative or additional transport solutions beyond to those identified in Oxfordshire County Council's Science Vale Area Strategy.

- Civil and Structural Engineers
- Building Surveyors
- Highway and Traffic Engineers
- Land Surveyors
- Building Investigation Experts
- CDM Co-ordinators

There is certainly scope to provide a bridge over the A34 linking to Valley Park on the eastern side, with the benefit of potentially alleviating pressure on the Milton Interchange and in so doing, negating the need for any large scale highway works to mitigate the impact of the proposal.

Alternative approaches to reducing the quantum of traffic actually accessing the public highway from the development could also include:

- A car-free approach to some or all of the development;
- The funding of a frequent bus service between the key employment opportunities of Milton Park, Harwell Campus and Didcot;
- Improved pedestrian and cycle links;
- Provision of car clubs or car sharing;
- Inclusion of employment and education opportunities within the site; and
- Provision of low trip generating uses such as live/work units, sheltered housing and a care home.

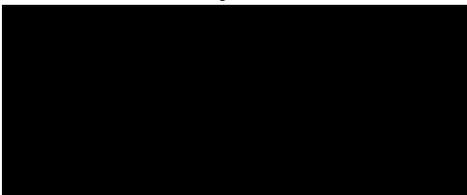
Clearly at this stage, in the context of the concerns cited by Oxfordshire County Council in terms of actual highway capacity, it will be necessary to carefully consider and quantify the implications of all of the above in order to minimise the impact upon the public highway of further development during the critical morning and evening peak hours.

Although the implications of the above will need to be carefully quantified, we are optimistic that they will assist in reducing dependency upon the private car and in so doing, help to demonstrate that a quantum of development in excess of 400 dwellings can be satisfactorily accommodated on land at Milton Heights.

You will appreciate that until such time as we have been afforded the opportunity to fully investigate the implications of the above initiatives, we cannot guarantee that a greater quantum of development will be justified, nevertheless, I hope that you are sufficiently comforted that alternative and innovative initiatives do exist which should help to maximise development potential.

I will write to you under separate cover to outline our proposed programme for taking matters forward, initially to 19 December when comments on the draft Local Plan are required and thereafter through to May 2015 when the draft plan will be reviewed by an inspector.

Yours sincerely



Tim Foxall
Director
Glanville Consultants